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Texas State Rail Plan

Volume II: Detailed Analysis of Designated Rail Segments/Part A



Railroad Commission of Texas

John H. Poerner, *Chairman*

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TEXAS STATE RAIL PLAN

VOLUME II:

DETAILED ANALYSIS OF DESIGNATED
RAIL SEGMENTS

PART A

Overview of the Four Valley Lines

Valley Lines
(Victoria-Beeville
Skidmore-Alice
Falfurrias-Edinburg)
Alice-Falfurrias

San Benito-Rio Hondo

Overview of Designated Lines
in South Texas

Mission-Hidalgo
Mission-Spaulding
Spaulding-Rio Grande City

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FOREWORD

The preparation of State Rail Plans was enabled by the Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210, commonly referred to as the "4 R Act"). Once a State has established a Rail Plan administered by a designated State agency with authority to "... develop, promote, supervise, and support safe, adequate, and efficient rail transportation services ..." it becomes eligible to participate in rail freight assistance programs through a Certified Program of Projects (CPP). The Texas State Rail Plan, prepared by the Railroad Commission of Texas in accordance with the requirements of the 4 R Act, is comprised of two volumes.

Volume I details the methodology employed in the development of the Plan, presents recommendations for subsequent inclusion in a CPP for the State of Texas, and describes the public participation process, transportation planning activities in Texas, and the ongoing rail planning program.

As of June 30, 1978, 21 light-density rail lines had been designated for possible abandonment by railroads in the State of Texas. Detailed analyses of these lines were performed to determine which segments should be considered for project assistance under the 4 R Act. Volume II, in four parts, contains the results of these analyses.

Part A:

Valley Lines (Victoria-Beeville,
Skidmore-Alice, Falfurrias-Edinburg)
Alice-Falfurrias
San Benito-Rio Hondo
Mission Hidalgo
Mission-Spaulding
Spaulding-Rio Grande City

Part B:

Abilene-Winters
San Angelo-Maryneal
Crystal City-Carrizo Springs
Brenham-Giddings
Llano-Scobee

Part C:

Acme-Floydada
Burkburnett-Oklahoma Border
Pampa-Oklahoma Border
Pringle-Stinnett
Skellytown-White Deer
Whiteface-Bledsoe

Part D:

Seagoville-Bonita Junction
Thedford-Lindale
Weatherford-Mineral Wells
Soumethun

A fifth part of Volume II, Part E, contains a retrospective analysis of 12 Texas rail lines that had already been approved for abandonment by the Interstate Commerce Commission in June of 1978:

Teague-Mexia
Mission-Palmhurst
Edinburg-McAllen
Raymondville-Monte Alto
Stamford-Rotan
Sonora-S.N. Jct.
El Paso Union Depot
Bridgeport-Graham
Georgetown-Austin
San Martine-Rockhouse
Quinif-Rosebud
Sterley-Silverton

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OVERVIEW OF THE FOUR VALLEY LINE SEGMENTS

1. Proposed Action

The Southern Pacific Transportation Company (SP) has filed to abandon three segments of the Valley Line between Victoria and Edinburg. [This is a Category 3 designation in accordance with 49 CFR 1121.20 (b) (3).]

The three segments, totalling 150 miles of track, are:

- Victoria to Beeville (Milepost (MP) 93.7 to MP 145.0);
- Skidmore to Alice (MP 1.0 to MP 40.9); and
- Falfurrias to Edinburg (MP 80.2 to MP 138.9).

Under an expected modification to the proposed abandonment, a 12.87-mile portion of track from Victoria to Coletto Creek would be retained in order to provide continued service to a coal-powered electricity-generating station under construction there.

Two companion documents have been filed along with the abandonment application (assigned I.C.C. Docket Number AB-12 Sub-No. 20). The SP has applied for I.C.C. approval of a Trackage Rights agreement between SP and the Missouri Pacific (Mo-Pac) in order to transfer bridge traffic from the Valley Line to the parallel Mo-Pac line which runs between Placedo (near Victoria) and Harlingen (near Edinburg). (Finance Docket No. 28024.) The SP has also applied for approval to construct certain track connections between the Mo-Pac and the Texas Mexican Railway Company (Tex-Mex) at Robstown. (Finance Docket No. 28078.)

The SP has indicated that a fourth segment, between Alice and Falfurrias (MP 40.9 to MP 80.2) is subject to an abandonment application within three years. [This is a Category 1 designation in accordance with 49 CFR 1121.20 (b)(1).] The different status of the Alice-Falfurrias segment suggests that any action on the segment by the SP and the ICC will not occur until after the ICC decision on the other three Valley Line segments.

2. Relationship of the Valley Line to the State Rail System

The Valley Line forms part of an extensive rail network in South Texas (see Figure 1). It principally serves as a north-south route for bridge traffic and as a link between other rail lines in the region.

The SP's Valley Line runs parallel, at a distance ranging between 15 to 28 miles, to the Mo-Pac's line between Placedo and Harlingen, which also provides a route for north-south bridge traffic and connects South Texas with the rest of the carrier's system. The Mo-Pac's line is currently in better physical condition. The SP intends to transfer its bridge traffic to this Mo-Pac line.

The Valley Line is intersected by four other lines. The SP's San Antonio-Rockport line, which carries traffic in a southeasterly or northwesterly direction, forms the link between the Fannin-Beeville and Skidmore-Alice segments of the Valley Line. The Mo-Pac's main line from San Antonio to Corpus Christi crosses the SP track at Mathis, on the Skidmore-Alice segment of the Valley Line. At Alice, the Alice-Falfurrias segment of the Valley Line is intersected by the Tex-Mex line which runs

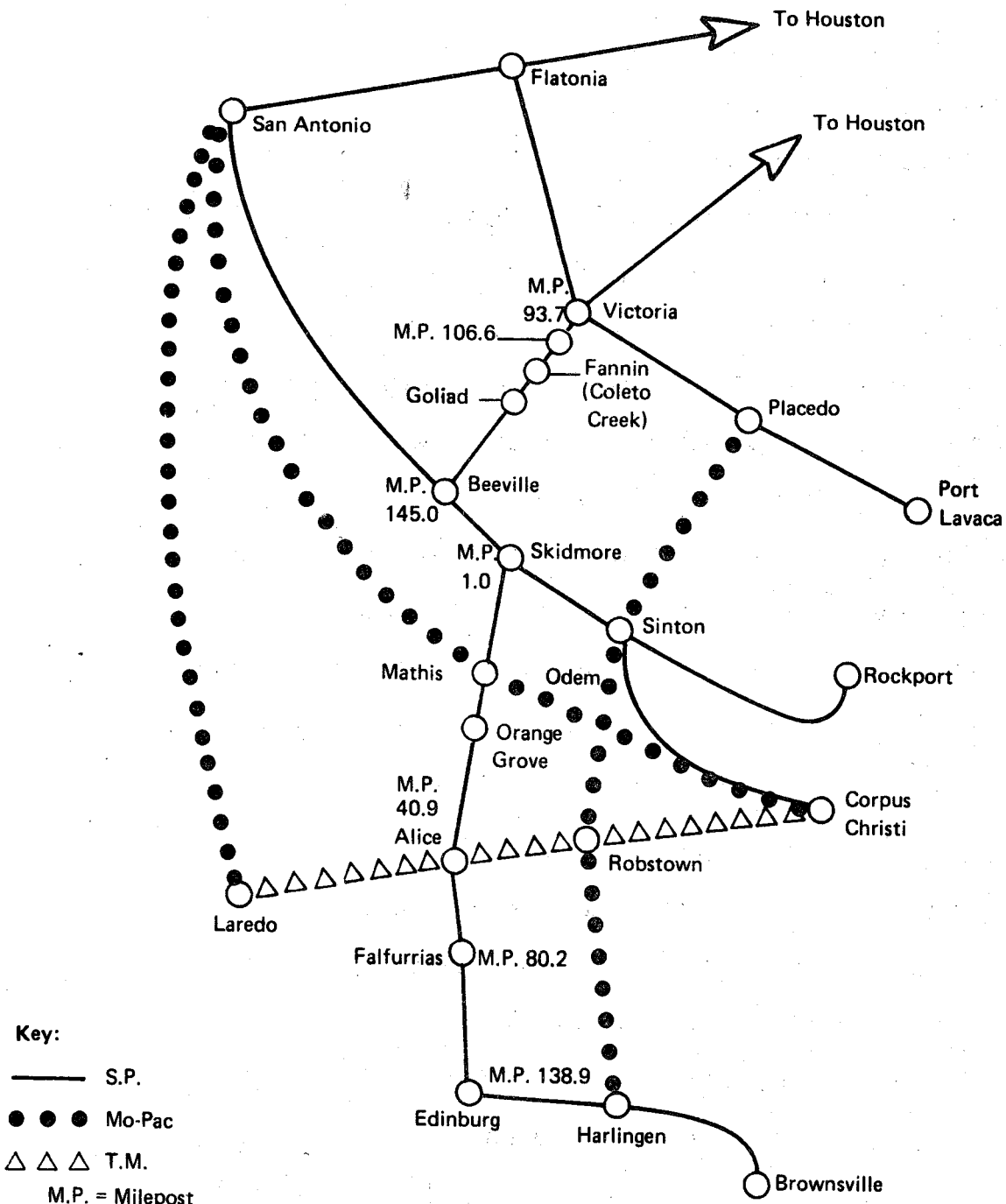


FIGURE 1 SCHEMATIC OF MAJOR RAIL LINES IN SOUTH TEXAS

between Laredo and Robstown (near Corpus Christi). Finally, an SP line runs between Edinburg and Brownsville, although to the south of the Valley Line subject to abandonment.

These lines provide alternative routings for the bridge traffic currently using the Valley Line. However, it appears that no study has yet been done by the SP to examine whether the bridge traffic can successfully be transferred. These rail lines also provide alternative routings for much of the originating and terminating (O&T) traffic now on the Valley Line and prevent loss of all rail service to most of the largest communities on the line--Beeville, Skidmore, Mathis, Alice and Edinburg. The communities that would be left without rail service in the event that all four Valley Line segments are abandoned are: Goliad, Melo, Tynan, Vahlsing, Sandia, Orange Grove, Torian, Ella, Seeligson, Premont, La Gloria, Falfurrias, Dixie, Rachal, and Linn.

3. Traffic Characteristics

Bridge traffic is, by far, the greatest source of traffic on the Valley Line. Bridge traffic over one or more of the Valley Line segments totalled 58,014 carloads in 1973, and 40,110 in 1976. The two northern Valley segments--Fannin-Beeville and Skidmore-Alice--appear to carry most of this traffic, whereas relatively less bridge traffic moves over the two southern segments. Nevertheless, bridge traffic is still a major source of revenue on the Alice-Falfurrias segment.

Originating and terminating traffic represents less than 10% of the traffic moving over the Line. The SP has indicated [SP Exhibits 11 (revised) and 19 in I.C.C. proceedings, Docket No. AB 12(Sub-No. 20)] that O&T and local traffic in 1976 totalled 63 carloads on the Fannin-Beeville

segment, 662 on the Skidmore-Alice segment, and 37 on the Falfuffias-Edinburg segment. A survey of shippers on the Alice-Falfurrias segment showed 730 carloads of O&T traffic. The total for all four segments was 1,492, or almost eight carloads per mile of track.

Rail service is provided on the Valley Line on an average of once a day in each direction. The condition of the rail line is relatively poor and that of the sidings worse.

4. Economic Characteristics

a. Economic Activity

The four segments of the Valley Line are located in a six-county area in South Texas (assuming that service is continued between Victoria and Fannin). The six counties are: Goliad, Bee, San Patricio, Jim Wells, Brooks, and Hidalgo.

Employment in the six-county region is predominantly in agriculture and trade. The population in 1975 was 350,000 and growing significantly in only two counties: San Patricio and Hidalgo. The six-county area is surrounded by rapidly-growing economic areas--McAllen, Harlingen, Brownsville, Kingsville, Corpus Christi. Among the communities located on the Valley Line, Victoria and Alice are the principal growing localities. The population of the region is expected to remain stable overall during the next decade, with a decline expected in Jim Wells and Brooks Counties. No significant industrial, agricultural, or mineral development with characteristics conducive to rail movement is anticipated. Economic growth is expected to continue to be concentrated in localities nearer to the Gulf Coast.

b. Rail Users

Table 1 lists the regular rail users by segment and location. It also indicates the employment, number of carloads, and degree of rail dependency of each firm. The table shows that most of the rail users either do not rely heavily on rail or have access to alternative rail service.

5. Impacts of Abandonment

Application has not yet been made to abandon the Alice-Falfurrias segment, including the City of Alice and its Industrial Park, which is subject to an abandonment application within three years. The SP's abandonment application for the other three Valley Line segments is currently pending before the I.C.C. Thus, there may be a significant lag between the time a decision is reached on the three segments and any action on Alice-Falfurrias. If the current application is granted, the most obvious impact of abandonment would be on the Alice-Falfurrias segment. First, the segment would be cut off from the rest of the SP system. Second, much of the O&T traffic currently moves over the other three segments and rail users on the Alice-Falfurrias segment would lose the option of the Valley Line routing. Instead, all O&T traffic would have to be routed over the Tex-Mex line in Alice. Third, the current profitability of the segment is based on bridge traffic revenues. Abandonment of the other three segments would preclude bridge traffic and result in an estimated operating loss of over \$200,000. In effect, it appears that abandonment of the three segments would render abandonment of the fourth segment inevitable.

TABLE 1

Valley Line Rail User Characteristics

<u>Segment and Rail User</u>	<u>Location</u>	<u>Employees</u>	<u>1976⁽¹⁾ Carloads</u>	<u>Tonnage by Rail %</u>	<u>Alternative Rail Service Available⁽²⁾</u>
<u>Fannin-Beeville Segment</u>					
Cattle Feeders, Inc.	Goliad	10-13	26	15	3 mi.
Worsham Feedlot	Goliad	4	20	20-30	10 mi.
Goliad Grain	Goliad	4-6	30	N.A.	10 mi.
Bee Agricultural Co.	Beeville	20	70	33	✓
Occasional Users	Goliad	10	10	N.A.	10-15 mi.
<u>Skidmore-Alice Segment</u>					
Bee County Co-op	Tynan	20-35	16	5-10	6 mi.
Occasional Users	Bee County	25	25	N.A.	N.A.
Texas Plastics, Inc.	Vahlsing	25	48	20-25	3 mi.
Mathis Grain & Elevator	Mathis	20	197	50	✓
Occasional Users	Mathis	100	40	N.A.	✓
Orange Grove Co-op	Orange Grove	11	20	5	12 mi.
Orange Grove Grain Elevator	Orange Grove	2-3	17	15	12 mi.
Orange Grove Feed & Seed	Orange Grove	3	12	N.A.	12 mi.
Occasional Users	Orange Grove	10	15	N.A.	12 mi.
<u>Alice-Falfurrias Segment⁽³⁾</u>					
Halliburton Services	Alice	60	116	N.A.	✓(4)
Dowell Division, Dow Chemical	Alice		98	N.A.	✓(4)
The Western Company	Alice	75	60	N.A.	✓(4)
Factory Outlet Building Materials	Alice	22	9	N.A.	✓(4)
Alice Feeders Supply	Alice	10	126	N.A.	✓(4)
Hammock Distributing Co.	Alice	20	116	N.A.	✓(4)
Alice Elevator Company	Torian	12-20	15	5	✓(4)
Occasional Users	Premont	N.A.	30	N.A.	25 mi.
Zarsky Lumber	Falfurrias	4	35	N.A.	22 mi.
Falfurrias Co-op	Falfurrias	6-8	60	50	22 mi.
Alamo Lumber	Falfurrias	8	5	5-15	22 mi.
Storm Farm Equipment Sales	Falfurrias	5	10	N.A.	25 mi.
Occasional Users	Falfurrias	N.A.	50	N.A.	22 mi.
<u>Falfurrias-Edinburg Segment</u>					
Linn Feed and Supply Co.	Linn	25	21	12	8 mi.
Occasional Users	Various	N.A.	20	N.A.	N.A.

Notes

- 1) Carload estimates are based on shipper survey. Totals differ from SP estimates, partly because one-time shipments of construction materials and equipment are not included here.
- 2) Measures distance to nearest rail head. Check mark indicates alternative rail service available at present location.
- 3) Alice-Falfurrias figures for 1977.
- 4) Assumes Alice trackage is transferred to Tex-Mex.

N.A. - Not available.

Source: Shipper Surveys and Arthur D. Little, Inc. estimates.

The public impacts of abandoning the Valley Line are relatively limited. Outside of the problem noted above, the conclusions reached in the two reports do not change as a result of viewing the impacts of all four segments together. The most serious consequences would be felt by shippers in the Alice area, but these could be avoided if the SP were to transfer its track in the Alice area to the Tex-Mex. The coal plant at Coletto Creek would also be adversely affected by an abandonment, but the SP is expected to modify its abandonment to continue service to the plant.

Segment Analysis
VICTORIA-BEEVILLE
SKIDMORE-ALICE
FALFURRIAS-EDINBURG

RAILROAD COMMISSION OF TEXAS

With

Technical Assistance

of

Arthur D. Little, Inc.

October 1978

Revised January 1979

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PART A. SUMMARY

1. Introduction

The Southern Pacific Transportation Company (SP) has filed to discontinue most service between Victoria and Edinburg by abandoning three segments along the 150 miles between these two locations. [This is a Category 3 designation in accordance with 49 CFR 1121.20(b)(3)].

The three segments (referred to as the "Valley Line") under consideration for abandonment are the following:

1. Victoria-Beeville M.P. (Milepost) 93.7 - M.P. 145.0
2. Skidmore-Alice M.P. 1.0 - M.P. 40.9
3. Falfurrias-Edinburg M.P. 80.2 - M.P. 138.9

A fourth segment, Alice Falfurrias, is subject to abandonment within three years (Category 1 designation). Because of its different status, it is the subject of a separate report.

Under an expected modification to the proposed abandonment, a 12.87-mile portion of track between Victoria and Coletto Creek (near Fannin) is expected to be retained by the SP to serve a coal-fired electricity-generating station now under construction. Hence, the first of three segments is discussed as Fannin-Beeville. In addition, the Beeville-Skidmore segment of SP's San Antonio-Rockport line will be retained to serve Beeville and Skidmore. Lastly, Edinburg would continue to be served by SP's Edinburg-Brownsville line. Thus, rail service would be discontinued only at some stations between Fannin and Edinburg--e.g., Goliad, Melo, Tynan, Vahlsing, Sandia, Orange Grove, Dixie, Rachal, and Linn.

Abandonment of the three segments would enable the SP to move almost all of the present traffic traversing its own lines onto the Missouri-Pacific (Mo-Pac) line between Victoria and Edinburg by way of the Mo-Pac's roughly-parallel line between Placedo (near Victoria) and Harlingen (near Edinburg).

The segments intended for abandonment are located in Goliad, Bee, San Patricio, Jim Wells, Brooks, and Hidalgo Counties.

2. Traffic Characteristics

Rail service is provided on the Valley Line on an average of once-a-day in each direction. The condition of the rail line is rather poor and that of the sidings is worse.

Originating and terminating (O&T) traffic totalled 762 carloads in 1976 and 1,086 in 1975, according to the SP. Roughly one-half of the traffic originates or terminates at Mathis. O&T traffic represents less than 3% of the traffic moving over the line. Bridge traffic, on the order of nearly 40,000 carloads in 1976, representing over two million tons, accounts for the rest of the traffic. Bridge traffic has been declining rapidly as a consequence of the deteriorating physical condition of the line, increased use of trucking by Lower Rio Grande Valley shippers, and decreased traffic to and from Mexico (via the Laredo gateway).

Field crops, feed and seed, crushed or broken stone, and miscellaneous non-metallic minerals are the major commodities moved as O&T tonnage over the line.

3. Economic Characteristics

a. Economic Activity

Employment in the six-county region served by the rail line is predominantly in agriculture and trade. Population was about 350,000 in 1975 and growing significantly in only two counties: San Patricio and Hidalgo. Employment amounts to approximately 66,000. The six-county, strip-like region is surrounded by rapidly-growing economic areas--McAllen, Harlingen, Brownsville, Kingsville, Corpus Christi. Within the region along the Valley Line, Alice and Victoria are growing localities. This region is expected to have stable or declining population during the next decade. No significant industrial, agricultural, or mineral development with characteristics conducive to rail movement is anticipated. It is unlikely that pronounced changes in the regional economy, social structure, and demographic characteristics will occur. Growth will continue to be concentrated in areas nearer to the coast.

b. Rail Users

Eleven rail users account for 80% of the carload traffic originating or terminating on the Valley Line. The major users are:

- In Goliad County
 - Cattle Feeders, Inc.
 - Worsham Feedlot
 - Goliad Grain Company
- In Bee County
 - Bee County Co-op
 - Bee Agricultural Company

- In San Patricio County
 - Mathis Grain and Elevator Corporation
 - Texas Plastics Company
- In Jim Wells County
 - Orange Grove Cooperative
 - Orange Grove Grain Elevator
 - Orange Grove Feed and Seed Company
- In Brooks County
 - Linn Feed and Supply Company

Direct employment associated with rail users amounts to about 480.

Due to the relatively low potential for new economic development in the region, any change in the line's rail traffic is likely to be generated by the current rail users rather than by new shippers.

c. Importance of Rail to Users

None of the rail users is critically dependent on the rail service proposed to be discontinued. Highways parallel the rail line for much of the distance between Victoria and Edinburg and provide an adequate route for trucking. (U.S. Highway 59 roughly parallels the SP line from Victoria to Beeville. State Highway 359 from Skidmore to Alice runs immediately adjacent to the SP line. U.S. Highway 281 runs adjacent to the SP line from Alice through Falfurrias to Edinburg.) Some of the rail users have access to alternative rail lines. The others can switch to truck use, albeit at an added transportation cost.

segment, 662 on the Skidmore-Alice segment, and 37 on the Falfuffias-Edinburg segment. A survey of shippers on the Alice-Falfurrias segment showed 730 carloads of O&T traffic. The total for all four segments was 1,492, or almost eight carloads per mile of track.

Rail service is provided on the Valley Line on an average of once a day in each direction. The condition of the rail line is relatively poor and that of the sidings worse.

4. Economic Characteristics

a. Economic Activity

The four segments of the Valley Line are located in a six-county area in South Texas (assuming that service is continued between Victoria and Fannin). The six counties are: Goliad, Bee, San Patricio, Jim Wells, Brooks, and Hidalgo.

Employment in the six-county region is predominantly in agriculture and trade. The population in 1975 was 350,000 and growing significantly in only two counties: San Patricio and Hidalgo. The six-county area is surrounded by rapidly-growing economic areas--McAllen, Harlingen, Brownsville, Kingsville, Corpus Christi. Among the communities located on the Valley Line, Victoria and Alice are the principal growing localities. The population of the region is expected to remain stable overall during the next decade, with a decline expected in Jim Wells and Brooks Counties. No significant industrial, agricultural, or mineral development with characteristics conducive to rail movement is anticipated. Economic growth is expected to continue to be concentrated in localities nearer to the Gulf Coast.

segments of its railroad line ... under prescribed conditions." This decision applies to three of the four Valley Line segments: Victoria-Beeville, Skidmore-Alice, Falfurrias-Edinburg. The Administrative Law Judge also found that acquisition by the SP of trackage rights over the Mo-Pac's Placedo-Harlingen line and construction of a rail line between the Mo-Pac and Tex-Mex at Robstown were consistent with the public interest. The three applications were found to be interrelated and abandonment would be permitted only if the other two agreements were implemented. Allowance is also made for the sale of the right of way to a responsible party.

PART B. DETAILED ANALYSIS

1. Description of the Line

This report deals with three segments of the so-called Valley Line between Victoria and Edinburg, which the Southern Pacific Transportation Company (SP) requested permission from the I.C.C. on September 13, 1975, to abandon.¹ [This is a Category 3 designation in accordance with 49 CFR 1121.20(b)(3).]

The Valley Line segments intended for abandonment total 149.9 miles of trackage in Victoria, Goliad, Bee, San Patricio, Jim Wells, Brooks, and Hidalgo Counties. The three segments are:

- Victoria-Beeville
- Skidmore-Alice
- Falfurrias-Edinburg

Under an expected modification to the proposed abandonment, a 12.87-mile portion of track between Victoria and Coletto Creek (near Fannin) would be left in place in order that a coal-fired electric-generating station of Central Power and Light Company (CP&L) now under construction at Coletto Creek receive service. Hence, the first segment for abandonment is assumed to be Fannin-Beeville, rather than Victoria-Beeville. This would reduce the total mileage to be abandoned to 137.03 miles.

The SP proposal calls for abandonment of the three segments and utilization of roughly parallel trackage of the Missouri Pacific Railroad

¹The application for abandonment has been assigned I.C.C. Docket Number AB-12 (Sub No. 20). In companion documents filed with the abandonment application, SP applied for I.C.C. approval of a Trackage Rights agreement between SP and Mo-Pac (Finance Docket No. 28024) and also for approval to construct certain track connections between Mo-Pac and the Texas-Mexican Railway Company (Tex-Mex) at Robstown, Texas (Finance Docket No. 28078).

Company (Mo-Pac) between Placedo (near Victoria) and Harlingen (near Edinburg). The SP justification for this action is based on the premise that there is little originating and terminating (O&T) traffic over the Valley Line, whereas there is a heavy, but declining, volume of bridge traffic. The SP would transfer bridge traffic to the Mo-Pac line, which is in better condition. Few shippers on the Valley Line would suffer adverse impacts from an abandonment while a move to the Mo-Pac line would contribute to railroad consolidation and efficiency, as well as SP profitability. In summary, the SP proposal argues that the net benefits of abandonment would outweigh the costs to the Valley Line shippers and communities.

Other rail lines in the area provide alternative service to several of the communities along the line. In addition to the expected continuation of service between Victoria and Fannin, the Beeville-Skidmore segment of SP's San Antonio-Rockport line will not be affected. At Mathis, the Mo-Pac's main line from San Antonio crosses the SP's Valley Line and extends on to Odem and Corpus Christi. Lastly, Edinburg would continue to be served by SP's Edinburg-Brownsville line. Thus, rail service would be entirely discontinued only at some stations between Fannin and Edinburg--Goliad, Melo, Tynan, Vahlsing, Sandia, Orange Grove, Dixie, Rachal, and Linn.

An application to abandon a fourth segment of the Valley Line--the 39.3-mile segment between Alice-Falfurrias--is anticipated in the next three years. [This is a Category 1 designation in accordance with 49 CFR 1121.20(b)(1).] The segment extends from north of Alice and the Alice Industrial Park down through Falfurrias. Thus, neither of these towns is included in the current Valley Line abandonment application.

The Alice-Falfurrias segment has been dealt with in a separate report because of its different status. The Preface provides an overview of the four segments of the Valley Line.

Figure 1 shows the location of the Valley Line in relation to the State Rail System. Figure 2 is a schematic representation of the lines subject to abandonment in South Texas. Figures 3, 4 and 5 show the location of the three segments in greater detail.

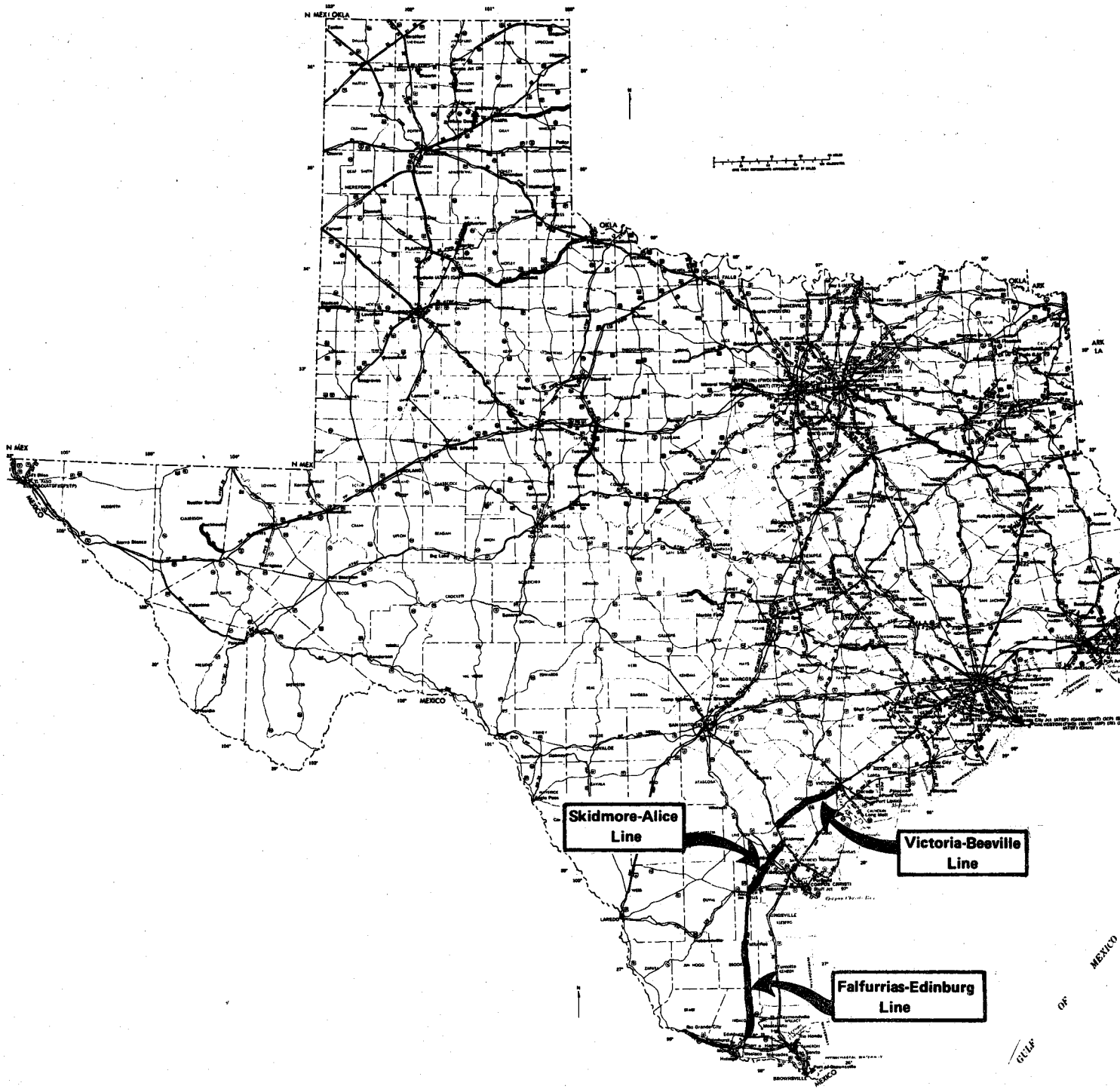


FIGURE 1 LOCATION OF VALLEY LINES IN RELATION TO TEXAS RAIL SYSTEM

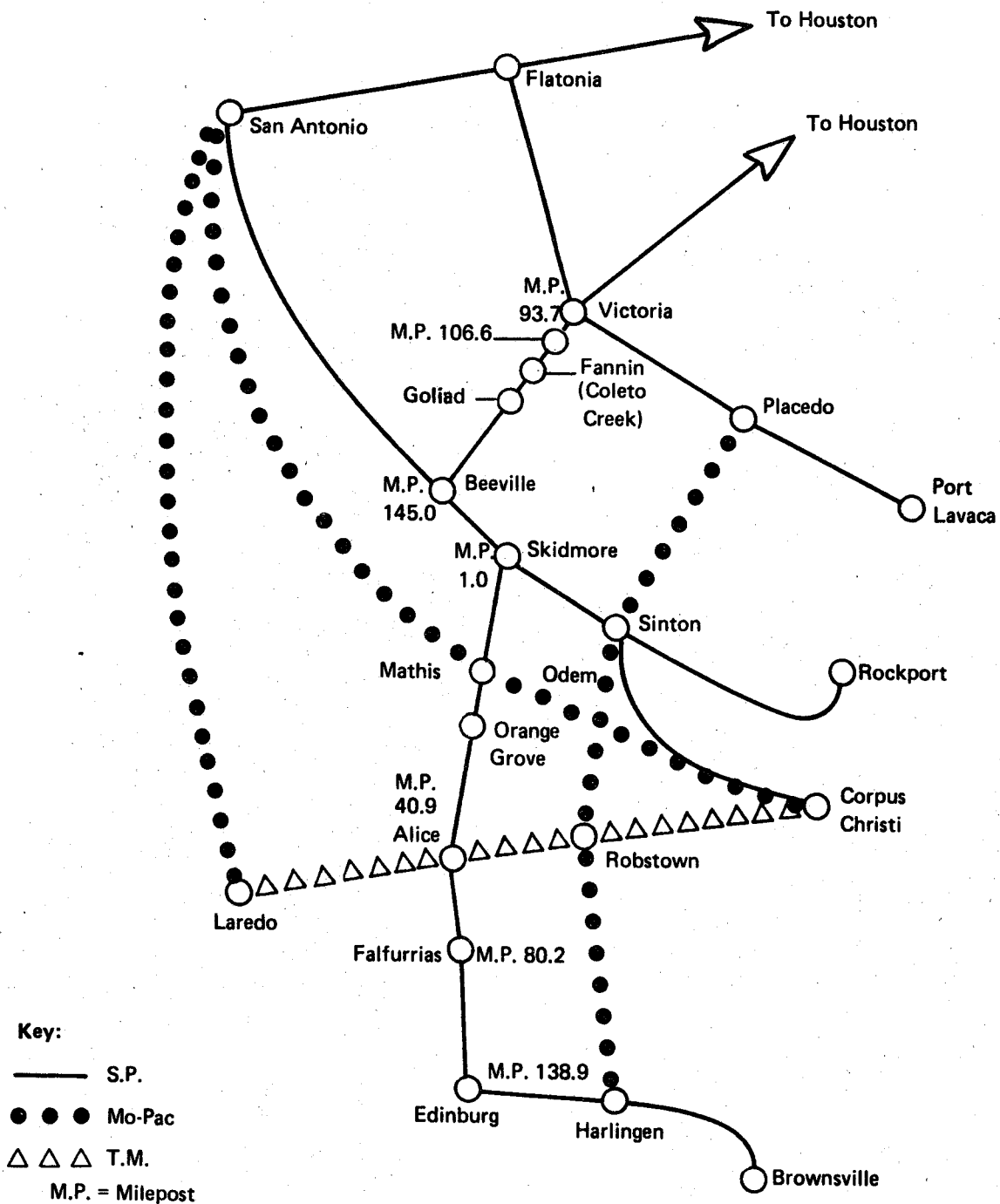


FIGURE 2 SCHEMATIC OF MAJOR RAIL LINES IN SOUTH TEXAS

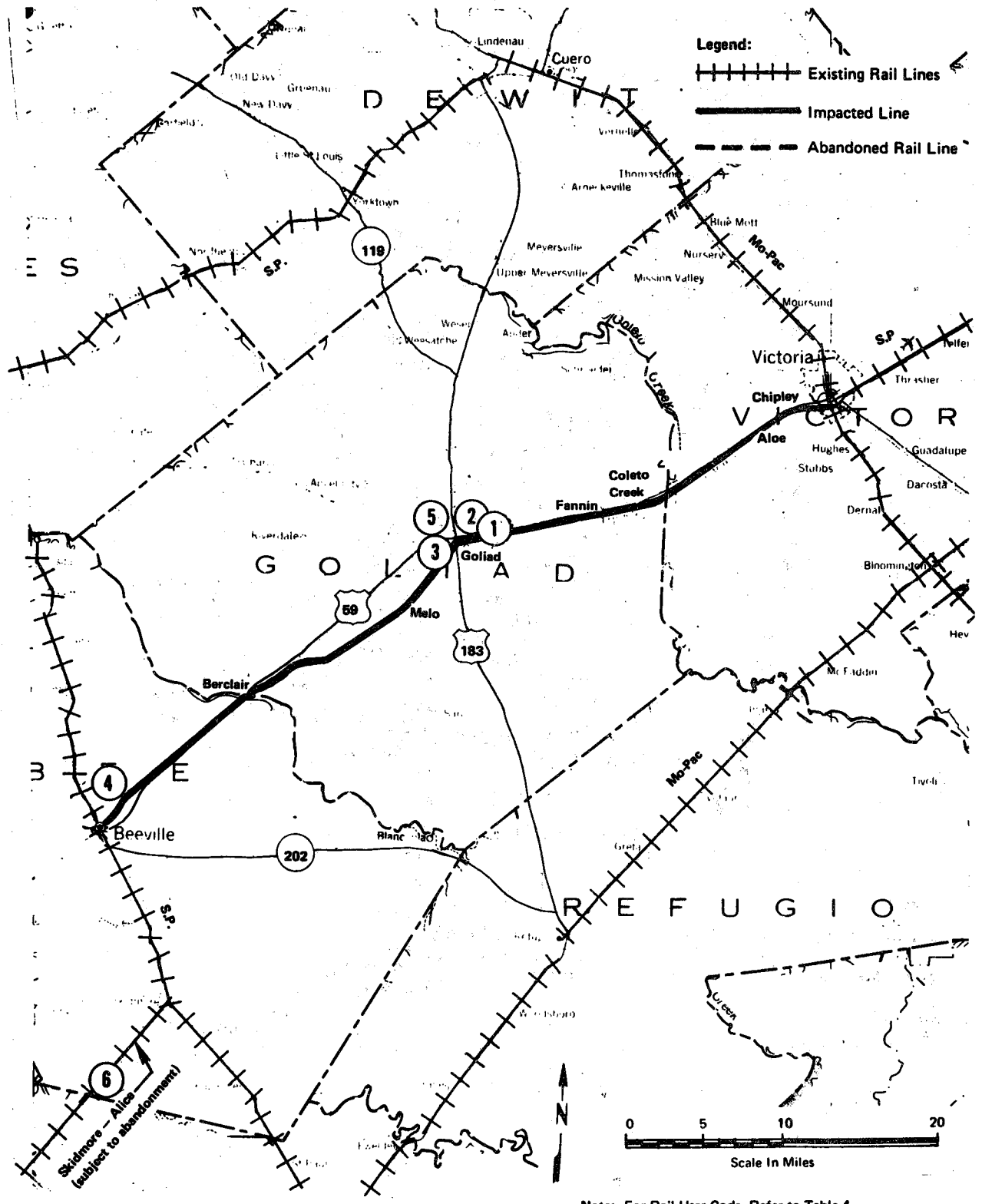


FIGURE 3 LOCATION OF VICTORIA - BEEVILLE LINE IN VICTORIA, GOLIAD, AND BEE COUNTIES

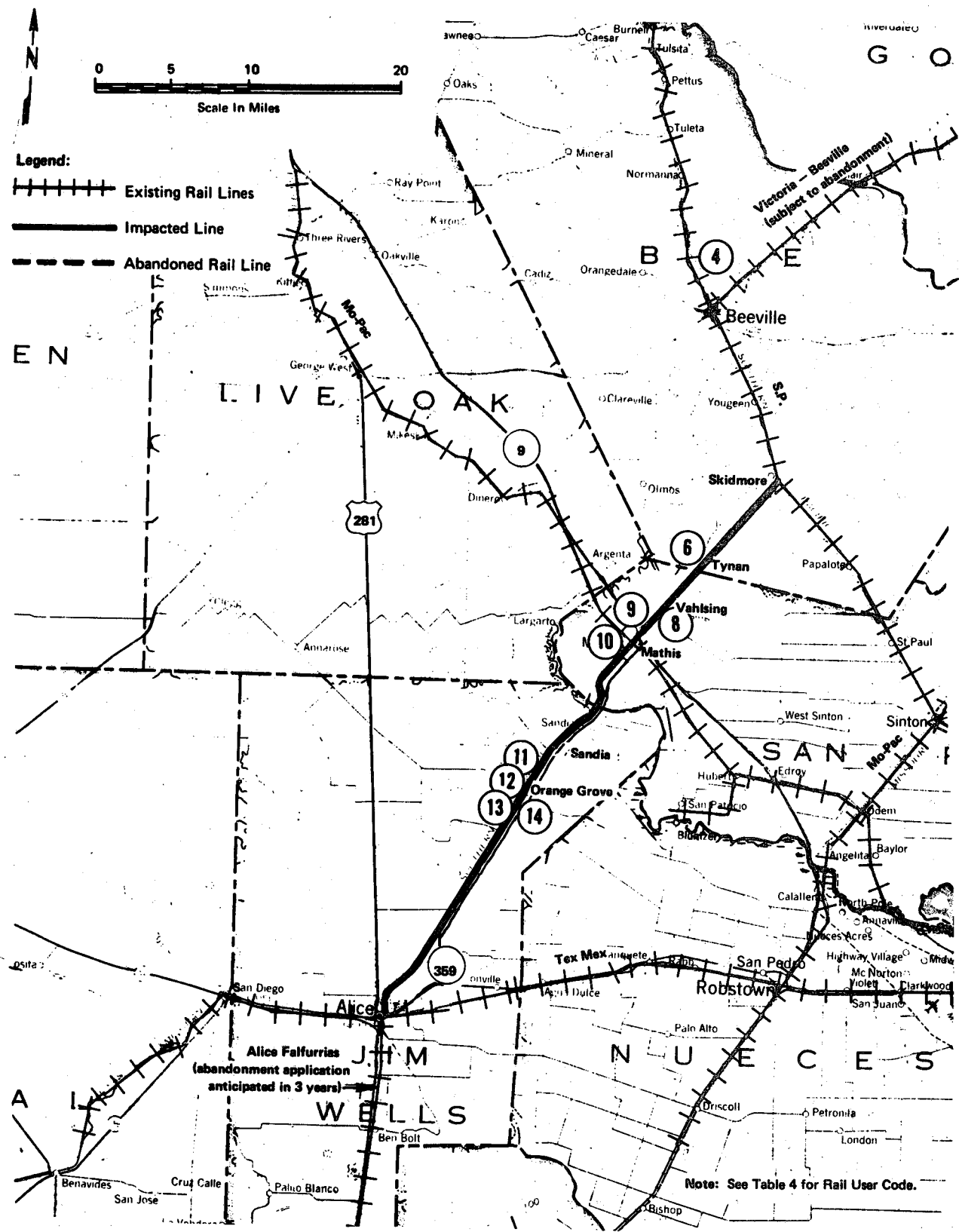


FIGURE 4 LOCATION OF SKIDMORE – ALICE LINE IN BEE, SAN PATRICIO, AND JIM WELLS COUNTIES

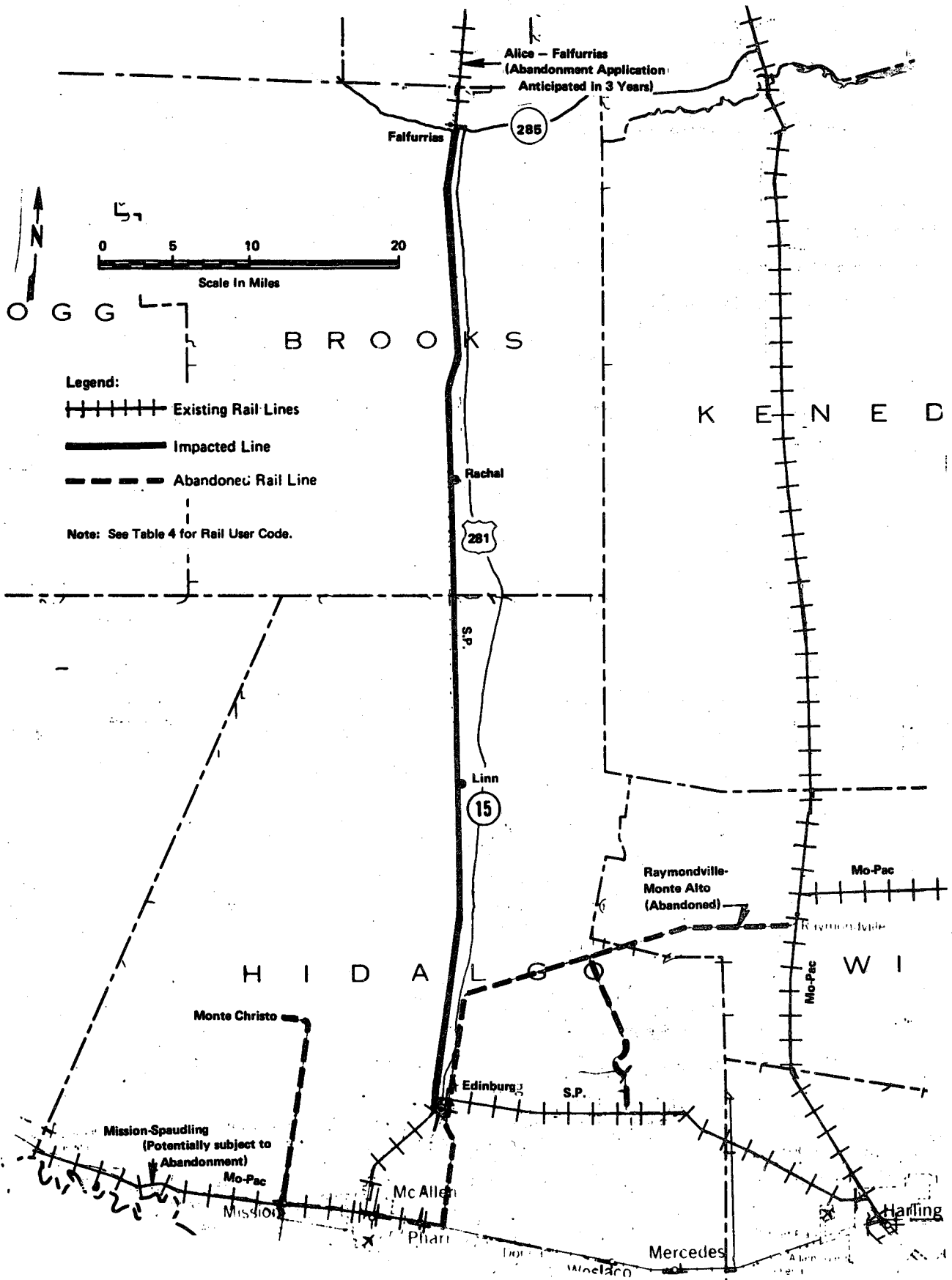


FIGURE 5 LOCATION OF FALFURRIAS - EDINBURG LINE IN BROOKS AND HIDALGO COUNTIES

I. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS ON THE
LINE OF THE RAILROAD

a. Freight Traffic

Table 1 summarizes the rail freight traffic over the three segments, as reported by the SP, for the years 1973 through 1976 and for the 12-month period July, 1976, to June, 1977. The table shows that total traffic declined almost 32% between 1973 and 1976, from 58,901 carloads to 40,110. The July, 1976, to June, 1977, period showed a further decline with total traffic of 35,759 carloads.

Originating and terminating (O&T) traffic (including local traffic) has accounted for only 1.3 to 2.3% of the total traffic on the three segments. After increasing from 887 carloads in 1973 to 1,086 in 1975, O&T traffic fell to 454 carloads for the period July 1976 to June 1977. The Skidmore -Alice segment accounted for 67 to 88% of this O&T traffic with Mathis being, by far, the most important station. It should be noted that between one-quarter and one-half of the O&T traffic has been non-recurring shipments or receipts of commodities such as building materials and equipment destined for construction and oil exploration projects along the line.

Table 2 summarizes the principal commodities being shipped by or delivered to rail users located along the three segments of the Valley Line. In 1973, the most important commodities in terms of number of carloads were asphalt, feed and seed, miscellaneous goods, and field crops, respectively. By 1976, the most important items being moved over the line were field crops, miscellaneous non-metallic minerals, crushed or broken stone, and feed and seed.

TABLE 1

SUMMARY OF RAIL FREIGHT, VALLEY LINE (THREE SEGMENTS)
CARLOADS--1973-1977

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>July 1976-June 1977</u> ¹
A. ALL TRAFFIC					
O&T and Local Bridge	887 <u>58,014</u>	987 <u>63,129</u>	1,086 <u>46,962</u>	762 <u>39,348</u>	454 <u>35,306</u>
TOTAL	58,901	64,116	48,048	40,110	35,759
B. O&T AND LOCAL BY INDIVIDUAL STATION					
<u>Fannin-Beeville Segment</u>					
Fannin	0	2	2	1	4
Goliad	193	136	140	58	43
Melo	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>
Subtotal	193	138	142	63	47
<u>Skidmore-Alice Segment</u>					
Tynan	61	58	55	26	17
Vahlsing	40	15	7	11	14
Sandia	12	9	0	0	0
Orange Grove	48	59	406	132	64
Mathis	<u>436</u>	<u>517</u>	<u>436</u>	<u>493</u>	<u>230</u>
Subtotal	597	658	904	662	325
<u>Falfurrias-Edinburg Segment</u>					
Dixie	0	0	1	0	0
Rachal	1	127	16	0	20
Linn	<u>27</u>	<u>24</u>	<u>25</u>	<u>37</u>	<u>61</u>
Subtotal	28	151	42	37	81

¹Revised February, 1978, version. In December, 1977, the SP reported 648 carloads of O&T, apparently the result of double-counting.

NOTE: The O&T and Local Traffic totals in A and B are not equal. The reasons for the discrepancies are not noted in the SP Exhibits.

Source: Southern Pacific Transportation Company Exhibits 11 (Revised) and 19 in ICC proceedings (Docket No. AB-12, (Sub-No. 20)).

TABLE 2

SUMMARY OF O&T RAIL FREIGHT, VALLEY LINE (THREE SEGMENTS) BY PRINCIPAL COMMODITIES*

Commodity	1973		1974		1975		1976	
	Cars	Tons	Cars	Tons	Cars	Tons	Cars	Tons
Asphalt	355	25,701	238	17,850	--	--	--	--
Miscellaneous Non-Metallic Minerals	--	--	--	--	235	16,429	175	13,372
Crushed/Broken Stone	38	2,654	4	345	380	27,074	110	8,339
Field Crops (Grain)	78	6,949	192	17,103	144	12,189	325	20,957
Feed and Seed	104	2,854	102	2,818	58	1,699	85	2,865
Cottonseed Hulls and Cake	58	1,568	69	1,835	--	--	--	--
Agricultural Chemicals (Fertilizer)	37	2,987	44	3,509	51	3,646	33	2,313
Miscellaneous Food Preparation	45	1,719	64	2,930	80	2,101	48	1,348
Industrial Chemicals	26	2,341	21	1,832	22	1,987	25	2,288
Pipe	--	--	123	6,039	--	--	--	--
Gravel	40	2,724	52	3,658	--	--	--	--
Abrasives or Asbestos	--	--	--	--	78	4,739	--	--
All Other	106	4,496	68	3,555	38	2,045	51	2,589

*Note: Sum of columns differ from O&T totals in Table 1. SP Exhibits do not explain these discrepancies.

Source: Southern Pacific Transportation Company Exhibits 11 (Revised) and 19 in I.C.C. proceedings (Docket No. AB-12, Sub-No. 20).

Bridge traffic accounts for an overwhelming proportion of the total number of carloads over the three segments although the total has declined considerably from 58,014 in 1973 to 39,348 in 1976 and 35,306 during the July, 1976 to June, 1977 period. This appears to be the result of the physical deterioration of the line, increased use of trucking by Lower Rio Grande Valley shippers, and decreased traffic to and from Mexico. Table 3 shows that most of the bridge traffic moves over the two segments of the line between Fannin and Alice.

b. Shipper Characteristics

Table 4 lists the regular rail users that would lose rail service, their location, and the estimated number of carloads of commodities originated and terminated. There are 11 regular shippers, of which six are located on the Skidmore-Alice segment, four on the Victoria-Beeville segment, and only one on the Falfurrias-Edinburg segment.¹ Each of these users ships or receives at least 12 carloads of commodities per year on a regular basis. Together, the 11 shippers accounted for 480 carloads in 1976, or 62% of the total O&T traffic moving over the line. Occasional rail users, each representing less than 12 cars per year, and large construction projects requiring non-recurring shipments of building materials, account for the remainder.

By far, the largest regular user of the line is Mathis Grain and Elevator with almost 200 cars of grain shipped and received annually at its facility on the SP. However, because its facility is only a short distance

¹One other major shipper, Central Power & Light, is located on the Victoria-Fannin segment and is expected to retain service. CP & L witnesses testified that the plant would require 6 trains per week, each with 105 to 110 carloads of coal.

TABLE 3

SOUTHERN PACIFIC VALLEY LINES BRIDGE TRAFFIC
BY ORIGIN-DESTINATION GROUPS AND LINE SEGMENT

(July, 1976 - June, 1977 Carloads)

<u>Origin-Destination</u>	<u>Fannin- Beeville</u>	<u>Beeville- Alice</u>	<u>Skidmore- Alice</u>	<u>Alice- Edinburg</u>	<u>Falfurrias Edinburg</u>
Houston-Alice/Falfurrias and return	6,048	6,048	-	-	-
Subtotal	<u>2,438</u>	<u>2,438</u>	-	-	-
	8,486	8,486			
Flatonia-Alice-Falfurrias and return	6,141	6,141	-	-	-
Subtotal	<u>2,263</u>	<u>2,263</u>	-	-	-
	8,404	8,404			
Houston-Corpus Christi and return	3,703	-	-	-	-
Subtotal	<u>3,449</u>	-	-	-	-
	7,152				
Houston-Brownsville and return	2,158	2,158	-	2,158	-
Subtotal	<u>2,838</u>	<u>2,838</u>	-	<u>2,838</u>	-
	4,996	4,996		4,996	
Flatonia-Brownsville and return	1,278	1,278	-	1,278	-
Subtotal	<u>1,763</u>	<u>1,763</u>	-	<u>1,763</u>	-
	3,041	3,041		3,041	
San Antonio-Alice/Falfurrias and return	-	1,734	-	-	-
Subtotal	-	<u>339</u>	-	-	-
		2,073			
San Antonio-Brownsville and return	-	502	-	502	-
Subtotal	-	<u>52</u>	-	<u>52</u>	-
		554		554	
All other routes	<u>238</u>	-	<u>240</u>	<u>233</u>	<u>122</u>
Total	32,317	27,554	240	8,824	124

Source: C.M. Snively workpapers and underlying SP data..

TABLE 4
VALLEY LINE (THREE SEGMENTS) RAIL FREIGHT USERS¹
1975, 1976, 1980

Code	Rail-User	Location	Commodity	Originating			Terminating			Total Traffic			ADL Estimates 1980 ²	
				1975	1976	1980	1975	1976	1980	1975	1976	1980 ²		
<u>Fannin-Beeville Segment</u>														
1	Cattle Feeders, Inc.	Goliad	Cottonseed Hulls				41	26	N.A.	41	26	N.A.	40	
2	Worsham Feedlot	Goliad	Feed				20	20	N.A.	20	20	N.A.	20	
3	Goliad Grain	Goliad	Feed				30	30	N.A.	30	30	N.A.	25	
4	Bee Agricultural Co.	Beeville	Feed and Fertilizer				70	70	220	70	70	220	220	
5	Occasional Users	Goliad	Miscellaneous							10 ^e	10 ^e	10 ^e	10 ^e	
<u>Skidmore-Alice Segment³</u>														
6	Bee County Co-op	Tynan	Fertilizer				16	16	65	16	16	65	65	
7	Occasional Users	Bee County								25 ^e	25 ^e	25 ^e	25 ^e	
8	Texas Plastics, Inc.	Near Vahlsing	Raw Materials Resins	36	36		12	12		12	12	20	20	
										36	36	60	60	
20	9	Mathis Grain and Elevator	Mathis	Grain	N.A.	50	N.A.	N.A.	147	N.A.	N.A.	197	N.A.	200
	10	Occasional Users	Mathis								40 ^e	40 ^e	40 ^e	40 ^e
	11	Orange Grove Co-op	Orange Grove	Grain	10	10	N.A.	10	10	N.A.	20	20	28	28
	12	Orange Grove Grain Elevator	Orange Grove	Grain	N.A.	17	N.A.				N.A.	17 ⁴	N.A.	20
	13	Orange Grove Feed and Seed	Orange Grove	Feed and Seed				12	12	N.A.	12	12	N.A.	12
	14	Occasional Users	Orange Grove								15 ^e	15 ^e	15 ^e	15 ^e
<u>Falfurrias-Edinburg Segment</u>														
	15	Linn Feed and Supply Co.	Linn	Feed				20	21	55	20	21	55	55
	16	Other Rail Users									20 ^e	20 ^e	20 ^e	20 ^e

¹ Includes only rail users who ship over 12 cars per year on a regular basis. The large difference between the rail traffic noted here and the total in Table 1 is due to significant non-recurring traffic included in the latter, particularly building materials.

² 1980 estimates were made by some shippers. In cases where none were made, it is assumed 1980 rail use will remain at the same level.

³ Does not include Alice Industrial Park which is considered part of the Alice-Falfurrias segment.

⁴ 1977 figures.

e = estimate.

from the Mo-Pac main line at Mathis, the company is likely to continue to be served by rail.

The following notes summarize the principal characteristics of the more important and regular rail users that would lose service and thus might be adversely affected should the three segments be abandoned.

1. Fannin-Beeville Segment

On the Fannin-Beeville segment, the principal location threatened with loss of rail service is Goliad, where three major shippers operate. No shippers are located along the 28-mile segment from Goliad to Beeville. Control Enterprises, Inc., operates a grain elevator at Goliad on an SP siding. This firm, which previously used both rail and truck for grain shipments, has not used the railroad during the last eight years due (the firm reports) to SP's indifference to serving the facility. The siding and track are reported to be in poor condition. The major shippers are:

- Cattle Feeders, Inc.

Cattle Feeders, Inc., located a few miles east of Goliad receives roughage feed supplement (cottonseed hulls) by rail for its 6,000-head feedlot, soon to be expanded to 7,500-head capacity. It currently employs 10 full-time and three part-time workers with a total annual payroll of \$150,000. In 1975, 41 carloads were received; in 1976, 26 carloads; and in 1977, 19 carloads. The hulls arrive in boxcars loaded at 25-28 tons

per car. They are unloaded at the Goliad Grain Company's siding and trucked to the feedlot. The Company does not appear to be totally dependent on rail service to Goliad since shipments could be unloaded at Fannin and trucked from there to the feedlot or trucked directly from the supplier. The firm is concerned about some increase in transportation costs in the event of an abandonment.

- Worsham Feedlot

Worsham Feedlot, which employs an estimated 4 workers, fattens about 1,500 cattle a year and has been expanding recently. Total annual payroll is about \$50,000. Shipments of sacked feed, peanut hulls, and feed supplements are received at the siding of the Goliad Grain Company 3-4 miles away and trucked to the feedlot. These shipments are estimated to total 20 carloads per year. Because over 70% of the firm's feed is already trucked directly from the supplier and the rest is transferred from rail to truck 3 miles away, abandonment of rail service is not expected to have significant adverse effects on the firm.

- Goliad Grain Company

Goliad Grain Company, located near the center of Goliad, receives approximately 30 carloads per year of sacked feed and fertilizer at its own siding. Since a substantial portion of feed and agricultural supplies currently is trucked in, abandonment would not alter company operations significantly. It is estimated that current employment is four full-time and two part-time workers, with an annual payroll of about \$40,000.

- Bee Agricultural Company

The Bee Agricultural Company sells feed, fertilizer, and other agricultural products and employs 20 full-time workers with an annual payroll of \$120,000. It is actually located on the SP Corpus Christi-San Antonio line near its junction with the Fannin-Beeville segment. The Company has its own rail siding and receives one-third (about 70 carloads) of its feed and fertilizer by rail over the Fannin-Beeville segment. A substantial expansion planned for the fertilizer operation could add 150 rail cars per year to the Company's rail usage. Abandonment could delay or somewhat curtail the expansion plans since the firm planned to have the cars routed over the Fannin-Beeville segment. The firm's claim that the expansion would be entirely foregone does not appear to be likely.

- Other Users

Other businesses located in and near Goliad are occasional users of rail transportation. These include the local lumber company, agricultural implement dealers, and highway departments. These activities, which utilize rail primarily as an alternative mode of transportation, are estimated to employ approximately ten full-time workers, with a combined payroll of \$75,000.

2. Skidmore-Alice Segment

Six rail users are located along the Skidmore-Alice segment.

- Bee County Co-op

Located at Tynan, the Bee County Co-op is a large grain and elevator cooperative serving a large and productive agricultural area. With storage capacity for 900 carloads of grain, 1,600 tons of dry fertilizer, and 30,000 gallons of liquid fertilizer, the Co-op currently receives one-sixth of its fertilizer by rail (approximately 16 carloads per year) at its own siding. Grain is presently all trucked, in part due to a shortage of hopper cars. The Co-op employs 20 full-time workers and 30 more during peak season; its annual payroll is about \$225,000. The Co-op plans to expand its facilities within the next 3 years at a cost of about \$500,000. In the event of an abandonment, the firm claims the new facilities would be located at Mathis or Skidmore. Should grain then be shipped by rail, as many as 60 carloads of additional rail traffic per year could be generated, depending on the supply of hopper cars.

- Occasional Rail Users in Bee County

Other companies in Bee County that might be affected by the abandonment include a lumber yard, feed store, fertilizer distributor and various construction operations and agricultural suppliers. An estimated 25 persons are employed by these occasional rail users, who represent an estimated 25 carloads annually.

- Texas Plastics, Inc., Texas Polymer Division

This plant employs 25 workers in the bulk manufacture of reprocessed polyethylene and polypropylene resins. Total annual payroll is about \$260,000. The plant's production has doubled over the last 3 years, and similar expansion is planned for the next 3 years at a cost of \$500,000. The firm reports that loss of rail service would increase transportation costs in the areas slated for expansion and would affect the plant's competitiveness. If rail service is discontinued, immediate plans would be made to acquire storage and warehouse facilities about 3 miles away. In the longer term, the expansion may not be affected or it might occur at another Texas Plastics plant rather than at this location. At its own rail siding, the plant receives 12 carloads of raw materials and ships 36 carloads of resin each year; this represents about 10-15% of receipts at the plant and 30-40% of all outbound shipments.

- Mathis Grain and Elevator Corporation

The Mathis Grain and Elevator Corporation operates two facilities at Mathis, one served by SP and one served by Mo-Pac; each has its own siding. The Company receives feed and ships fertilizer and grain in large quantities, with 60% and 40%, respectively, being carried by rail. Traffic over SP in 1976 totalled 147 carloads inbound and 50 carloads outbound. Loss of SP service at one facility might result in consolidation of the operations at the facility served by Mo-Pac.

Otherwise, the facility on the SP could continue to be served by the Mo-Pac, using the SP track as siding. The firm is concerned about the effect of the loss of competition between SP and Mo-Pac on rail service and routes. The Company currently employs about 20 workers and has an annual payroll of \$150,000.

- Other Rail Users in Mathis

Several other businesses in Mathis are occasional rail users, including Mathis Machinery, South Texas Construction, Ralston-Purina, and Mathis Feed. These companies are estimated to have a total employment of about 100 and an annual payroll of about \$800,000. The occasional users are not dependent on rail service and would have alternative rail service available via the Mo-Pac.

- Orange Grove Cooperative

The largest rail user in Orange Grove, the Orange Grove Cooperative, ships and receives 20 carloads of milo, flax, corn, and supplies each year. About 95% of all goods shipped and received by the firm are carried by truck. The Cooperative currently employs 11 full-time workers and has a payroll of \$75,000. Although there are no definite plans for expansion, feed and seed operations are all increasing. The Cooperative has its own siding, which is in need of repair. The Cooperative does not believe its limited use of the siding warrants the \$10,000 repair cost. Rail use is expected to increase by about 8 cars annually.

- Orange Grove Elevator

The grain elevators at this plant are used seasonally to receive grain by truck and ship it out by rail (15%) and by truck (85%). An estimated 17 hopper cars of grain were shipped by rail in

1977. Employment is estimated at 2-3 full-time equivalent workers, with an annual payroll of \$15,000. In the event of an abandonment, all grain would be shipped by truck, although there is concern on the part of the operators that this might prove unprofitable.

- Orange Grove Feed and Seed

The local Ralston-Purina dealer, Orange Grove Feed and Seed, changed hands during 1977 so that it was not possible to obtain data about past use of rail service. About one carload a month (sacked feed, feed blocks, and seed) currently is received a short distance from the store at the team track. The store currently employs three people; total annual payroll is \$25,000.

- Rail Users in Alice

There are six major rail users in the Alice Industrial Park, just north of the city. Together, they account for 541 carloads of traffic. While they are located on the Alice-Falfurrias segment and discussed in detail in a separate report, these rail users do receive most of their commodities over the three Valley Line segments discussed here. The Texas Mexican Railway could provide alternative service should the three segments of the Valley Line be abandoned. If alternative service is not provided, the Alice shippers would be isolated from the rest of the SP system and experience adverse impacts.

3. Falfurrias-Edinburg Segment

One rail user is located along the Falfurrias-Edinburg segments.

- Linn Feed and Supply Company

This shipper, the only regular rail user on this segment of the Valley Line, sells livestock feed for cattle, hogs and poultry;

stores and sells grains and fertilizer; and runs a poultry/egg-laying operation. At the Linn siding, the Company receives approximately 21 carloads of feed and feed supplements, trucking it about 1 mile to its facilities. Rail accounts for 12% of shipments received. The Company employs 25, with an annual payroll of \$200,000. Plans for the egg-laying business to expand five-fold in the next 5 years may require as much as one railcar per week of poultry feed. Growth in the other parts of the business could increase rail usage as well. Abandonment would not have an impact on the firm's expansion plans.

- Rail Users in Edinburg

Although no rail users in Edinburg would lose all rail service if the Valley Line were abandoned, the following businesses might be affected by delays and other problems caused by having their shipments re-routed over the Mo-Pac line. However, the SP claims that the re-routing should expedite the movement of traffic.

	<u>Employment</u>	<u>Carloads in 1976</u>
George J. Pardi Product Co., shipper of fruits and vegetables	10	58
Tide Products, Inc., insecticides	100	9
Metz and Keppler, Inc., insecticides, e.g., chemicals, fertilizer	32	43
Edinburg Co-op, shipper of grain	15	65
Right-Away Foods Corp., freeze-dried and other foods	<u>20</u>	<u>124</u>
	177	299

II. REVENUES DERIVED FROM RAIL FREIGHT SERVICES AND COSTS OF PROVIDING THESE SERVICES

Two separate revenue and cost analyses were developed for the Valley Line segments. Both draw upon exhibits filed by the SP (i.e., the September 3, 1975 data in support of the original application, the April 22, 1977 amended data, and further filings at the Goliad hearings in December 1977 and the Alice hearings in February-March 1978) but are based on different assumptions. For reasons briefly noted below, the second analysis is thought to be the more accurate. This cost-revenue analysis, developed by the protestant shippers' economic consultant, C.M. Snavely, represents the basis on which Texas, through the Attorney General's office, views the actual operations of the line. The findings of each analysis are summarized in Table 5.

The first estimate of costs and revenues for the Valley Line was developed by the SP through its cost witness, J.V. Lundeen. This analysis, referred to as the SP Results (February Revision), is thought to be an extreme case because of the methodological practices used. For example, expenses were overstated because all maintenance-of-way (M/W) expenses and many through train expenses arising from bridge traffic requirements were included, on the one hand, but revenues were understated because only those revenues resulting from O&T traffic were credited, on the other hand. Bridge traffic revenues were completely ignored.

TABLE 5
COMPARATIVE RESULTS OF OPERATING REVENUES AND
EXPENSES OF THE VALLEY LINES
July 1976 - June 1977

<u>Item and Source</u> <u>of Data</u>	<u>Fannin-</u> <u>Beeville</u>	<u>Skidmore-</u> <u>Alice</u>	<u>Falfurrias-</u> <u>Edinburg</u>	<u>Total</u>
SP Results				
(February Revision)				
Operating Revenues	\$ 13,686	\$ 176,084	\$ 25,668	\$ 215,438
Operating Expenses	406,460	749,058	787,487	1,943,005
Operating Income	\$ (392,774)	\$ (572,974)	\$ (761,819)	\$ (1,727,567)
Consultant				
Snavely Results				
Operating Revenues	\$1,659,647	\$1,979,929	\$ 681,721	\$ 4,321,297
Cash Operating Costs	1,068,909	1,195,728	751,162	3,015,799
Cash Operating Income	\$ 590,738	\$ 784,201	\$(69,441)	\$ 1,305,498
Depreciation	87,275	74,346	22,584	184,205
Operating Income	\$ 503,463	\$ 709,855	\$(92,025)	\$ 1,121,293

Source: Exhibits of SP witness to J.V. Lundeed and Protestants' witness C.M. Snavely.

The second series of cost and revenue data was prepared by Consultant Snavelly and is shown as Consultant Snavelly Results. These figures represent a more thorough analysis of the Lundeen and SP data and a more careful breakdown by segment. The results of this analysis are summarized below.

a. Revenues

Total revenues for the three segments of the Valley Line were estimated to be \$4,321,297 for the year July, 1976 to June, 1977 (see Table 6). The Skidmore-Alice segment accounted for the largest share of revenues with almost \$2 million, while the Fannin-Beeville segment was credited with almost \$1.7 million in revenues and the Falfurrias-Edinburg segment with only about \$700,000.

Freight revenue, including bridge traffic, amounted to more than 99% of the revenues. Demurrage and other revenues make up the remainder. Bridge traffic represents 95% of the freight revenue, providing strong support for the argument that O&T traffic plays a relatively small role on the line.

TABLE 6
CONSULTANT SNAVELY RESULTS
OF SEGMENT REVENUES AND EXPENSES
July 1976 - June 1977

<u>Item</u>	<u>Fannin- Beeville</u>	<u>Skidmore- Alice</u>	<u>Falfurrias- Edinburg</u>	<u>Total</u>
<u>Operating Revenues</u>				
Freight Revenue	\$1,659,391	\$1,975,000	\$ 681,541	\$4,315,932
Demurrage	100	2,000	0	2,100
All other	156	2,929	180	3,265
Total	<u>\$1,659,647</u>	<u>\$1,979,929</u>	<u>\$ 681,721</u>	<u>\$4,321,297</u>
<u>Cash Operating Costs</u>				
Maintenance of Way	\$ 252,364	\$ 282,306	\$ 283,427	\$ 818,097
Maintenance of Equipment	218,358	244,265	74,153	536,776
Transportation	503,973	563,766	311,657	1,379,396
Taxes	94,214	105,391	81,925	281,530
Total	<u>\$1,068,909</u>	<u>\$1,195,728</u>	<u>\$ 751,162</u>	<u>\$3,015,799</u>
Cash Operating Income	\$ 590,738	\$ 784,201	\$ (69,441)	\$1,305,498
<u>Depreciation Expense</u>				
Locomotives	\$ 60,516	\$ 51,551	\$ 13,900	\$ 125,967
Freight Cars	21,239	18,092	7,243	46,574
Road Property	5,520	4,073	1,441	11,664
Total	<u>\$ 87,275</u>	<u>\$ 74,346</u>	<u>\$ 22,584</u>	<u>\$ 184,205</u>
Operating Income	\$ 503,463	\$ 709,855	\$ (92,025)	\$1,121,293
<u>Other Operating Expenses</u>				
Property Taxes	\$ 11,520	\$ 11,970	\$ 17,610	\$ 41,100
Management Fee	16,596	19,799	6,817	43,213
Total	<u>\$ 28,116</u>	<u>31,769</u>	<u>24,427</u>	<u>84,313</u>
Net Result	\$ 475,347	\$ 678,086	\$ (116,452)	\$1,034,880

b. Expenses

The Snavelly Results show cash operating costs of \$3,015,799 for the three segments. The Skidmore-Alice segment accounted for a slightly higher percentage than the Fannin-Beeville segment (39.7% and 35.4%, respectively) while the Falfurrias-Edinburg segment was responsible for 24.9% of the total cash operating costs.

Transportation and operations costs are the most important component of the operating expenses (45.7% of this total), followed by maintenance of way (27.1%), maintenance of equipment (17.8%) and taxes (9.3%).

Total expenses, incorporating depreciation expenses of \$184,205 for the three segments amounted to \$1,489,703. Over 68% of the depreciation was for locomotives; 25% was for freight cars and 7% for road property.

c. Comparison of Revenues and Expenses

Table 6 shows that the three segments together showed a net operating income of \$1,121,293 for the year July 1976-June 1977. The Skidmore-Alice and the Fannin-Beeville segments were both profitable with net income of \$709,855 and \$503,464, respectively. However, the Falfurrias-Edinburg segment showed a loss of \$92,025.

Other operating expenses, not included by Consultant Snavelly, were introduced to arrive at a net operating result. With these factors included, the three segments together show a surplus of \$1,034,880. The Skidmore-Alice segment and the Fannin-Beeville segment show a substantial operating surplus of \$678,086 and \$475,347 respectively, while the Falfurrias-Edinburg segment shows a net operating loss of \$116,452.

III. CONDITION OF THE RAIL PLANT, EQUIPMENT AND FACILITIES

a. History of the Line

The Victoria-Beeville segment of the Valley Line was constructed by SP in 1889 and has been operated by that company ever since. The Skidmore-Alice segment was built in 1888 as an extension of the San Antonio and Aransas Pass Railway (SAAP). Both Skidmore and Alice derive their origins from their establishment as SAAP depots in 1886 and 1888, respectively. The line from Falfurrias to Edinburg was completed by the SP in 1927 after it obtained control of the SAAP in 1925.

b. Description of the Line

If the expected modification of the SP proposal, that deletes the Victoria-Coleto Creek segment from the abandonment application is assumed, there are five communities on the Fannin-Beeville segment. They are, from North to South: Scurlock, Goliad, Melo, Berclair, and Beeville of which only Goliad and Melo are stations. Four additional communities would be affected if the modification is not made: Fannin, Cologne, Raisin and Aloe. The stations on the Skidmore-Alice segment are, from North to South: Skidmore, Tynan, Vahlsing, Mathis, Sandia, and Orange Grove. Skidmore will not be seriously affected since it is also served by the SP San Antonio-Rockport line. Mathis has alternative service on the main Mo-Pac San Antonio-Corpus Christi line. Alice, considered part of the Alice-Falfurrias segment, also has alternative service provided by the Texas Mexican Railway Laredo-Corpus Christi line. The Falfurrias-Edinburg segment passes near the towns of Dixie, Linn and Rachal. Falfurrias, which is on the Alice-Falfurrias segment, will retain service at least in the short run. Edinburg will not be affected by the abandonment and is also served by the SP's Edinburg-Brownsville line.

c. Physical Characteristics

Spot checks of the three segments of the Valley Line indicated that the track condition ranges between FRA Class 1 and Class 2 standards (as defined by FRA regulations embodied in 49 CFR Part 213). Some areas have deteriorated significantly and no longer meet Class 1 standards. The rail between Fannin and Beeville is mostly 90 pounds, compared with 100-112 pounds on the Skidmore-Alice segment and 75 pounds between Falfurrias and Edinburg. Rail alignment was observed to be quite uneven in many instances, causing trains to sway considerably. A large number of spikes have worked loose and no longer secure the ties. Bolts are missing from some rail connector plates while some tie plates are completely missing. This situation has reportedly led to a number of derailments.

The ballast is thin in many places and dirty and clogged over most of the roadbed, indicating limited maintenance. Indeed, track charts indicate that ballast has not been added since 1960 and 1964 for the northern two segments and since 1966 for the southern segment.

About one-third of all ties appear to need replacement. Besides general deterioration, many have been cut by about one-fourth to one-third of their thickness by the continued passage of heavy tonnages; substantial "pumping" action at rail joints was observed as car wheels passed over the track.

Replacement of ties appears to have been done on a sporadic and insufficient basis. Field inspections showed evidence of new ties installed manually at widely-spaced intervals. An SP engineering worksheet suggested a tie replacement rate of 35 per mile in 1976, or 1.2% of ties,

compared with 1.9% for the entire SP system, which is generally in better condition. This rate is not rapid enough to maintain the line properly.

Trestles and the approaches to trestles were observed to be in good condition, with evidence of high standards of maintenance.

The six sidings inspected during field work were in worse condition than the main line. Maintenance of sidings has apparently been poor. One shipper, who required major repairs for the siding to be usable, claims that the railroad advised him that repairs would not be made at SP expense.



IV. ECONOMIC AND OPERATIONAL ANALYSIS OF PRESENT AND FUTURE FREIGHT SERVICE NEEDS

a. Economic Overview

1. Definition of the Area of Impact

The three segments of the SP Valley Line are located in six counties in southeastern Texas. From north to south the counties are: Goliad, Bee, San Patricio, Jim Wells, Brooks, and Hidalgo (see Figure 6). The line passes through the middle of Goliad, Bee and Brooks Counties, half way across Hidalgo and Jim Wells Counties, and through the western corner of San Patricio. The fourth of the Valley Line segments--Alice-Falfurrias--discussed in a separate report, runs through the rest of Jim Wells County. A seventh county, Victoria, will not be affected if the anticipated modification of the abandonment to continue service on the Victoria-Fannin segment occurs.

2. Population and Economic Trends

The population of the six-county area as a whole increased significantly until 1960 when it began to stabilize (see Table 7). It did not begin to grow again until after 1970. The 1975 estimate for the area was 348,334. A clear distinction can be made between the two largest counties--San Patricio and Hidalgo--where population increased significantly, and the four other counties which experienced population declines or little change.

Population projections developed by the Texas Water Development Board (now the Texas Department of Water Resources) indicate that the population of the six-county area will continue to grow between 1980 and 2000, led by an 8.8% growth each decade in Hidalgo County and about an 11% growth each ten years in Bee County (see Table 8). San Patricio and Jim Wells will experience from 3 to 3.5% growth each of the two decades, while Brooks's population will remain stable and Goliad's is likely to continue to decline.

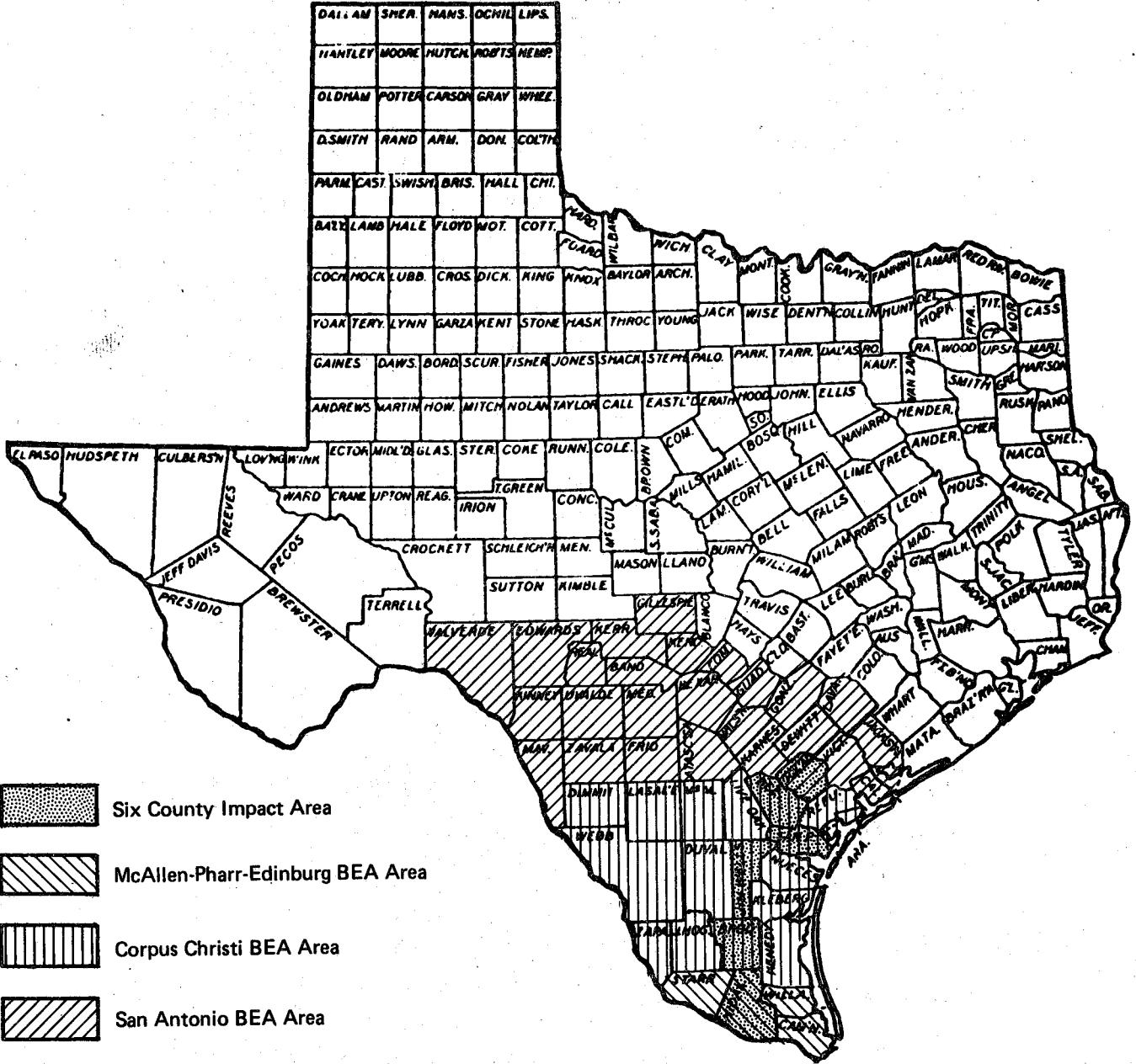


FIGURE 6 LOCATION OF GOLIAD, BEE, SAN PATRICIO, JIM WELLS, BROOKS AND HIDALGO COUNTIES WITHIN THE STATE OF TEXAS AND THE McALLEN-PHARR-EDINBURG, CORPUS CHRISTI, AND SAN ANTONIO BEA AREAS

TABLE 7
POPULATION OF THE SIX COUNTY IMPACT AREA
VALLEY LINE (THREE SEGMENTS) COMMUNITIES 1900 - 1975

County or Town	1900	1910	1920	1930	1940	1950	1960	1970	1975
<u>Goliad County</u>	8,310	9,909	9,348	10,093	8,798	6,219	5,429	4,869	4,858
Fannin	NA	NA	NA	NA	NA	NA	NA	94	94
Goliad ¹	NA	NA	NA	NA	NA	NA	NA		1,738
Melo	NA	NA	NA	NA	NA	NA	NA	NA	NA
<u>Bee</u>	7,720	12,090	12,137	15,721	16,481	18,174	23,755	22,737	23,577
Beeville ¹	2,311	3,269	3,062	4,806	6,789	9,348	13,811	13,506	13,682
Skidmore	NA	NA	NA	NA	NA	NA	NA	500	500
<u>San Patricio</u>	2,372	7,307	11,386	28,836	28,871	35,842	45,021	47,288	50,378
Tynan	NA	NA	NA	NA	NA	NA	NA	200	200
Vahlsing	NA	NA	NA	NA	NA	NA	NA	NA	NA
Mathis ²	-	-	-	-	1,950	4,050	6,075	5,351	5,689
Sinton ²	-	-	1,058	1,852	3,770	4,254	6,008	5,563	5,525
<u>Jim Wells</u>	-	-	6,587	13,456	20,239	27,991	34,548	33,032	33,919
Sandia	NA	NA	NA	NA	NA	NA	NA	215	215
Orange Grove	NA	NA	NA	NA	NA	NA	NA	1,000	1,226
Alice ²	-	2,136	1,880	4,239	7,792	16,449	20,861	20,121	20,317
<u>Brooks</u>	-	-	4,560	5,901	6,362	9,195	8,609	8,005	7,749
Falfurrias	-	-	-	-	-	6,712	6,515	6,355	6,201
Rachal	NA	NA	NA	NA	NA	NA	NA	36	36
<u>Hidalgo</u>	6,837	13,728	38,110	77,004	106,059	160,446	180,904	181,535	227,853
Linn	NA	NA	NA	NA	NA	NA	NA	450	450
Edinburg ¹	-	-	1,406	4,821	8,718	12,383	18,706	17,163	20,514
TOTAL SIX COUNTY AREA	25,239	43,034	82,128	151,011	186,810	257,867	298,266	297,466	348,334

¹County Seat

²County Seat but not located on the three rail segments being considered

SOURCE: Texas Almanac, 1978-1979. A. H. Belo Corporation, Dallas, Texas, 1977. (Data are from the U.S. Census, with the exception of data for 1975, which are estimates.)

TABLE 8

POPULATION TRENDS AND FORECASTS IN THE SIX VALLEY
LINE COUNTIES, CORPUS CHRISTI AND MCALLEN-PHARR-EDINBURG
BEA AREAS AND THE STATE OF TEXAS, 1960-2000

	<u>1960-70</u>	<u>1970-80</u>	<u>1980-90</u>	<u>1990-2000</u>
Goliad County ¹	-10.3	.6	-12.2	-11.6
Bee County ¹	-4.3	12.6	10.9	11.3
San Patricio County ¹	5.0	16.9	3.6	3.5
Jim Wells County ¹	-4.6	6.3	3.1	3.3
Brooks County ¹	-7.0	1.3	0	0
Hidalgo County ¹	.3	11.9	8.8	8.8
Corpus Christi BEA Area ²	13.1	4.8	5.2	5.2
McAllen-Pharr-Edinburg BEA Area ²	5.5	-.9	3.6	4.8
State of Texas ²	16.9	19.7	16.4	17.2

¹Texas Water Development Board (now Texas Department of Water Resources).
Population Projections. 1976.

²U. S. Department of Commerce and Department of Agriculture. OBERS Projections
of Economic Activity in The United States. Volume II. BEA Economic Areas.
Washington, D.C., 1972.

The communities served by the SP Valley Line represent over 20% of the six-county area's population. Six of the communities--Beeville, Skidmore, Mathis, Alice, Falfurrias and Edinburg--accounting for about 88% of the population in communities along the line, will have alternative rail service. Furthermore, an additional 43% of the six-county area's population is located in communities with rail service.

The 8 towns expected to lose rail service: Goliad, Melo, Tynan, Vahlsing, Sandia, Orange Grove, Rachal, and Linn, had a combined population of slightly over 3,850. Most of these communities are located in rangeland and agricultural areas and have been experiencing out-migration. The economies of these communities are not likely to experience significant growth.

The employment structure of the six counties of the Valley Line, shown in Tables 9 and 10, indicates an economy highly concentrated in the agricultural and trade sectors. Agriculture in the six-county area averages 23.1% of employment (ranging from 44.8% in Goliad to 13.1% in Jim Wells), which contrasts sharply with a State average of 4.4% and the Corpus Christi and McAllen BEA averages of 9.1% and 18.2% respectively.¹ Wholesale and retail trade accounts for 33.7% of employment compared to 20.9% for the State, and 20.6% and 25.2% for the two BEA areas. Mining employment is particularly important in Jim Wells, Bee and San Patricio Counties.

Employment in manufacturing and services is unusually low in the six-county area relative to the State. While the six-county manufacturing

¹All the Valley Line counties, except Hidalgo, form part of the Corpus Christi BEA Area while Hidalgo is the major part of the McAllen BEA. These areas are useful for projecting economic activity. U.S. Department of Commerce and Department of Agriculture. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

TABLE 9
EMPLOYMENT IN THE SIX-COUNTY VALLEY LINE AREA
1970 AND 1975

	<u>Goliad</u>		<u>Bee</u>		<u>San Patricio</u>		<u>Jim Wells</u>		<u>Brooks</u>		<u>Hidalgo</u>	
	<u>1970</u>	<u>1975</u>	<u>1970</u>	<u>1975</u>	<u>1970</u>	<u>1975</u>	<u>1970</u>	<u>1975</u>	<u>1970</u>	<u>1975</u>	<u>1970</u>	<u>1975</u>
Mining	10	10	378	529	704	876	1,406	1,120	69	183	651	575
Contract Construction	22	66	268	265	693	449	591	582	72	15	1,894	3,129
Manufacturing	22	15	90	83	2,236	2,237	432	321	50	70	2,861	3,945
Public Utilities	28	15	177	183	409	323	461	466	76	33	1,329	1,493
Wholesale and Retail Trade	174	138	1,006	1,154	1,938	2,149	1,868	2,210	385	451	14,076	18,384
Finance, Insurance, Real Estate	30	40	139	137	229	239	292	303	28	40	1,245	1,637
Services	88	94	787	828	870	872	1,093	1,257	166	381	4,778	5,672
Other	<u>0</u>	<u>11</u>	<u>0</u>	<u>79</u>	<u>20</u>	<u>194</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>227</u>	<u>803</u>
Subtotal ¹	374	389	2,845	3,258	7,099	7,339	6,143	6,259	846	1,173	27,061	35,638
Agriculture ²	<u>304</u>	<u>279</u>	<u>605</u>	<u>555</u>	<u>1,731</u>	<u>1,588</u>	<u>927</u>	<u>900</u>	<u>337</u>	<u>295</u>	<u>9,418</u>	<u>8,391</u>
TOTAL	678	668	3,450	3,813	8,830	8,927	7,070	7,159	1,183	1,468	36,479	44,029

¹U.S. Department of Commerce, Bureau of The Census. County Business Patterns. Texas. CBP-75-45, Washington, D.C., 1976. (Excludes self-employed persons, farm employees, domestic workers and railroad employees. Data are reported for county of employment.)

²U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics. Texas. PC91-C45 Tex., April 1972. (Data on agricultural employment are not available for 1975 from the Census; therefore the trends for the Corpus Christi and McAllen BEA Areas are applied to derive a 1975 estimate.)

TABLE 10

COMPARISON OF THE EMPLOYMENT OF THE SIX COUNTIES OF THE VALLEY LINE,
THE CORPUS CHRISTI AND McALLEN BEA AREAS, AND THE STATE OF TEXAS--1970

	<u>Goliad County</u> ¹	<u>Bee County</u> ¹	<u>San Patricio County</u> ¹	<u>Jim Wells County</u> ¹	<u>Brooks County</u> ¹	<u>Hidalgo County</u> ¹	<u>Six County Area</u>	<u>Corpus Christi BEA</u> ²	<u>McAllen BEA</u> ²	<u>State of Texas</u>
Agriculture	44.8	17.5	19.6	13.1	28.5	25.8	23.1	9.1	18.2	4.4
Mining	1.5	11.0	8.0	19.9	5.8	1.8	5.6	5.8	1.3	2.4
Construction	3.2	7.8	7.8	8.4	6.0	5.1	6.1	8.9	4.9	7.0
Manufacturing	3.2	2.6	25.3	6.1	4.2	7.8	9.9	9.8	10.4	17.4
Public Utilities	4.1	5.1	4.6	6.5	6.4	3.6	4.3	6.0	5.3	6.4
Wholesale and Retail Trade	25.7	29.2	21.9	26.4	32.5	38.6	33.7	20.6	25.2	20.9
Finance, Insurance, and Real Estate	4.4	4.0	2.6	4.1	2.4	3.4	3.4	3.0	2.4	-- ³
Services	<u>13.0</u>	<u>22.8</u>	<u>10.1</u>	<u>15.5</u>	<u>14.0</u>	<u>13.7</u>	<u>13.9</u>	<u>36.9</u>	<u>32.4</u>	<u>41.5</u> ³
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics. Texas. PC(1)-C45 Tex., April 1972.

²U.S. Department of Commerce and Department of Agriculture. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

³Services includes Finance, Insurance, and Real Estate.

employment average of 9.9% compares closely with the Corpus Christi and McAllen BEA figures (9.8 and 10.4%), the State average is 17.4%. Furthermore, almost all of the manufacturing activity is concentrated in San Patricio and Hidalgo Counties and in communities little affected by the Valley Line. The six-county service average of 13.9% is considerably lower than the State figure of 41.5%.

Employment opportunities have been increasing at a moderate rate for the region as a whole. All sectors have been growing fairly evenly with the exception of agriculture, which has declined. However, the six counties exhibit relatively high concentrations of employment in the State's slower growing sectors, such as agriculture and mining, and lower proportions in rapidly growing sectors such as manufacturing and services. This implies that employment growth in the future will be relatively limited with current trends and patterns likely to continue. Tables 11 and 12, which summarize the trends for the two BEA Regions, suggest the general direction of employment in the impact area.

Table 13 shows that the unemployment rate in the impact area varies from county to county. Interestingly, the two most developed and populous counties, Hidalgo and San Patricio, had the highest unemployment rate in October, 1977. Their unemployment levels at this time were higher than the rest of the State, whereas the average unemployment rate of the other counties was comparable with the rest of Texas.

One of the most important productive sectors in the six-county area is agriculture. Table 14 shows that total harvested acreage has increased slightly between 1970 and 1976 and is concentrated in San Patricio and Hidalgo. Sorghums are clearly the most important crop, followed by cotton and vegetables. Hidalgo County's specialty vegetables (and to a lesser extent, San Patricio's) represent a large percentage of the State production of these crops. Livestock production is also very important in the area.

Table 11

EMPLOYMENT STRUCTURE, TRENDS AND PROJECTIONS IN THE CORPUS CHRISTI BEA AREA

	1950-2000									
	1950	% Distri- bution	1966	% Distri- bution	1980	% Distri- bution	1990	% Distri- bution	2000	% Distri- bution
Agriculture	25,528	19.3	15,491	9.1	11,900	8.3	10,500	5.5	9,600	4.6
Mining	8,080	6.1	9,779	5.8	7,700	5.4	6,800	3.5	6,000	2.9
Construction	11,939	9.0	15,014	8.9	15,600	10.9	16,200	8.4	17,100	8.3
Manufacturing	9,559	7.2	16,543	9.8	19,100	13.3	20,800	10.8	23,100	11.2
Transportation & Utilities	10,788	7.8	10,141	6.0	11,300	7.9	12,300	6.4	13,700	6.6
Wholesale & Retail Trade	27,497	20.8	35,011	20.6	38,600	27.0	40,100	20.8	42,500	20.6
Finance, Insurance & Real Estate	3,029	2.3	5,074	3.0	6,300	4.4	7,000	3.6	7,700	3.7
Services	24,140	18.3	36,760	21.7	4,400	3.1	49,400	25.6	55,900	27.0
Government	12,035	9.1	25,797	15.2	28,300	19.8	29,500	15.3	31,100	15.0
TOTAL	132,095	100.0	169,610	100.0	143,200	100.0	192,600	100.0	206,700	100.0

SOURCE: U.S. Department of Commerce, Bureau of the Census. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

Table 12

EMPLOYMENT STRUCTURE, TRENDS AND PROJECTIONS IN THE McALLEN-PHARR-EDINBURG BEA AREA

1950-2000

	<u>1950</u>	<u>% Distri- bution</u>	<u>1966</u>	<u>% Distri- bution</u>	<u>1980</u>	<u>% Distri- bution</u>	<u>1990</u>	<u>% Distri- bution</u>	<u>2000</u>	<u>% Distri- bution</u>
Agriculture	35,875	36.0	19,301	18.2	13,400	11.8	11,000	9.4	10,200	7.9
Mining	1,192	1.2	1,333	1.3	1,100	.9	1,100	.9	1,000	.7
Construciton	6,774	6.8	5,188	4.9	6,900	6.1	7,400	6.3	8,200	6.4
Manufacturing	7,605	7.1	11,041	10.4	11,800	10.4	12,200	10.3	12,900	10.0
Transportation & Utilities	6,606	6.6	5,665	5.3	6,000	5.3	6,200	5.3	6,700	5.2
Wholesale & Retail Trade	21,512	21.6	26,805	25.5	29,800	26.3	31,300	26.5	33,800	26.3
Finance, Insurance & Real Estate	2,009	2.0	2,504	2.4	3,100	2.7	3,500	3.0	4,100	3.2
Services	15,723	16.0	24,637	23.2	30,500	26.9	33,400	28.3	38,100	29.6
Government	<u>2,781</u>	<u>2.8</u>	<u>9,755</u>	<u>9.2</u>	<u>10,800</u>	<u>9.5</u>	<u>11,800</u>	<u>10.0</u>	<u>13,600</u>	<u>10.6</u>
Total	99,547	100	106,229	100	113,400	100	118,000	100	128,600	100

SOURCE: U.S. Department of Commerce, Bureau of the Census. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

Table 13

UNEMPLOYMENT IN THE SIX COUNTIES OF THE VALLEY LINE AND
THE STATE OF TEXAS

	<u>April 1970¹</u>		<u>October 1977²</u>	
	<u>Unemployment #</u>	<u>Unemployment %</u>	<u>Unemployment #</u>	<u>Unemployment %</u>
Goliad County	60	3.4	72	4.1
Bee County	230	3.4	353	4.5
San Patricio County	762	4.8	1,397	7.0
Jim Wells County	520	4.9	600	4.9
Brooks County	130	5.4	195	6.9
Hidalgo County	3,670	5.5	10,895	12.9
State of Texas	N.A.	5.7	280,700	4.9

¹ Texas Almanac, 1972-1973. A.H. Belo Corporation, Dallas, Texas, 1973.
(Data from Texas Employment Commission.)

² Texas Employment Commission, Labor Force Estimates for Texas Counties,
October 1977. Austin, Texas.

TABLE 14

HARVESTED ACREAGE IN THE SIX COUNTIES OF THE VALLEY LINE
1970 AND 1976

	Goliad		Bee		San Patricio		Jim Wells		Brooks		Hidalgo		Total Area	
	1970	1976	1970	1976	1970	1976	1970	1976	1970	1976	1970	1976	1970	1976
Sorghums	4,810	4,600	40,330	54,200	193,650	219,400	72,700	70,100	2,300	6,000	180,230	206,500	494,020	560,800
Hay (except Sorghums)	7,250	7,700	3,000		1,700	3,000	6,000	5,500	3,500	3,100	5,100	7,300	26,550	26,600
Upland Cotton	0	0	7,500	550	41,700	43,900	6,000	1,500	0	0	105,200	51,900	160,400	97,850
Corn	4,600	2,200	6,000	11,000	0	1,100	1,000	600	400	0	15,700	14,100	27,700	29,000
Oats	600	200	300	200	100	0	0	0	0	0	0	0	1,000	400
Vegetables	0	0	200	160	1,800	650	3,500	760	2,900	2,400	72,200	61,035	80,800	65,005
Flaxseeds	0	400	10,600	11,500	1,600	3,000	4,500	6,200	0	0	800	850	17,500	21,950
Cowpeas	0	0	0	0	700	0	0	0	0	800	900	0	1,600	800
Guar	0	0	0	0	300	0	0	0	0	0	2,200	0	2,500	0
Wheat	0	600	320	1,900	270	200	0	0	0	0	280	2,500	870	5,200
Broomcorn	0	0	1,800	0	0	0	0	0	0	0	0	0	1,800	0
Sugarcane	0	0	0	0	0	0	0	0	0	0	0	25,900	0	25,900
TOTAL	17,260	15,700	70,050	79,510	241,820	271,250	93,700	84,660	9,100	12,300	382,610	370,085	814,540	833,505

Sources: U.S. Department of Agriculture and Texas Department of Agriculture. 1970 Texas County Statistics. Bulletin 80, June 1971.
1976 Texas County Statistics. Bulletin 152, September, 1977.

Oil and gas production represents another important production sector. This activity is concentrated in San Patricio and Jim Wells Counties. Table 15 summarizes crude oil production in 1976.

Manufacturing activity in the six-county area is limited and almost entirely concentrated in San Patricio and Hidalgo Counties. In order to stimulate economic growth, attempts have been made to develop industry. For example, a Goliad County Industrial Foundation has been created. The Bee County Chamber of Commerce and Bee County Development Corporation actively seek new industries and have created an industrial park in Beeville. Jim Wells County Master Planning and Development Association, the Lower Rio Grande Development Council in Hidalgo County, the Edinburg Chamber of Commerce, and the Alice Chamber of Commerce have been active. Thus far, however, there is no concrete evidence that community hopes for growth through industrialization are being significantly realized. Established growth centers close to the Impact Area, such as McAllen, Harlingen, Brownsville, Corpus Christi, San Antonio, and Victoria, are likely to preclude significant industrial development.

3. Implications of Trends for Future Rail Traffic

The demographic and economic situation discussed above has a number of important implications for future rail traffic:

- Population trends are such that the majority of the six-county area population will be located in communities with alternative rail service. The 1975 population of the communities that would lose rail service in the event of an abandonment was about 3,850.

TABLE 15

ANNUAL CRUDE OIL PRODUCTION IN THE SIX-COUNTY AREA OF THE VALLEY LINE

1976

<u>County</u>	<u>Crude Oil Production (Barrels)</u>
Goliad	1,209,102
Bee	1,301,851
San Patricio	4,920,814
Jim Wells	3,934,455
Brooks	1,403,092
Hidalgo	<u>1,922,066</u>
Six-County Total	14,691,380

SOURCE: Texas Almanac, 1978-1979. A.H. Belo Corporation,
Dallas, Texas, 1977.

- The area immediately around the Valley Line is largely agricultural in nature and shows less growth potential than the corridor nearer to the coast. This limited growth potential, and the relatively sparse population, suggest only some potential for increased O&T rail traffic.
- Agriculture, the most important productive activity, is concentrated in Hidalgo and San Patricio Counties--the two counties that are least dependent on the Valley Line. A large percentage of the State's vegetables are produced in Hidalgo County, but are usually trucked north. In the event of truck shortages, some of the vegetables are shipped by rail, but apparently move primarily via the Mo-Pac line. Furthermore, agricultural acreage is growing slowly, limiting the opportunities for increased O&T traffic.
- Manufacturing activity is almost entirely concentrated in communities away from the Valley Line and the situation is not likely to change substantially. Thus, the manufacturing sector does not provide opportunities for greater O&T traffic.
- Oil and gas is almost entirely piped out. Oil field supplies shipped in by rail are unlikely to increase much since it appears that the oil industry may have peaked in the area.

In summary, the economic characteristics and trends in the Impact Area suggest that there are few opportunities for substantial increases in O&T traffic over the Valley Line. They also imply that the line's viability will continue to be almost entirely dependent on bridge traffic.

b. Current and Projected Rail Freight Operations and Traffic

1. Current Rail Operations

Currently, there are six trains per week in each direction between Victoria and Alice (Fannin-Beeville and Skidmore-Alice segments). Half of these operate as "assigned" trains (which generally means their crews may expect to have their jobs protected from elimination by labor agreements). The other Victoria-Alice trains are operated on a "pool" job basis which makes the work subject to elimination by the SP.

An additional through-train is operated six days per week from Victoria to Corpus Christi. Thus, a minimum of two trains per day, six days per week, is operated in each direction on the Fannin-Beeville segment and one train daily in each direction between Skidmore and Alice.

The Alice-McAllen line (Falfurrias-to-Edinburg segment) is served by one train per day in each direction. Because of labor agreements requiring SP not to reduce its crews below six south of Alice, there appear to be one or two unused crews between Alice and McAllen.

The combined three-segment operation presently uses ten crews and the SP asserts that only nine of these would be required by operating the proposed parallel trackage rights.

Operating speeds over the Valley Line differ from segment to segment. Work sheet data, produced by SP's cost witness at the I.C.C. abandonment hearings, show average speeds of 16 mph over the Fannin-Beeville segment, 22 mph over the other two segments, and a combined average of 19 mph,¹ which is less than the systemwide average of 23 mph for all SP operations.²

¹J.V. Lundeen operating statistics.

²Annual Report Form R-1, 1976.

Authorized speeds, as opposed to actual operating speeds, are somewhat higher.

2. Rail Users

Table 1 summarizes current originating and terminating traffic over the three segments of the Valley Line. Table 4 shows that O&T traffic, both current and projected, for specific, regular rail users. In 1976, rail users with an average annual rail use of more than 15 carloads each, accounted for a total of 465 cars. A 1980 O&T traffic total of 765 carloads has been projected for the regular rail users on the basis of a shipper survey. Most of the increased traffic is due to expansion anticipated by Texas Plastics, Inc., and the Bee Agricultural Company. Mathis Grain and Elevator Co., and Bee Agricultural Co., will account for about 420 carloads of the O&T traffic between them.¹

Currently, an estimated 286 carloads of O&T traffic are one-time shipments for occasional users and construction projects. In the July, 1976-June, 1977 period this total dropped to almost nothing. Earlier years show similar fluctuations, making projections of O&T traffic generated by construction projects and occasional users difficult. About 50 to 150 carloads should be added to the regular rail user 1980 estimates to arrive at the total projected O&T traffic.

Most of the regular O&T traffic will continue to be inbound feed, seed, and fertilizer, and will be delivered to rail users on the Alice-Skidmore and Fannin-Beeville segments. The occasional traffic would largely be building materials and equipment.

¹Central Power and Light at Coletto Creek expects to generate about 630 carloads of traffic per week.

V. ANALYSIS OF THE IMPLICATION OF ABANDONMENT ON THE TRANSPORTATION NEEDS OF THE STATE

a. Relationship of the Line Segment and its Traffic to the State Rail System and its Rail Traffic

The Southern Pacific's Valley Line forms part of an extensive rail network in Southeastern Texas, as can be seen in Figures 1 and 2. The Valley Line largely plays a role in moving bridge traffic from north to south and vice versa, and in connecting the various east-west and north-south lines in the region. The importance of this role is diminished by the existence of the Mo-Pac Class A main line between Placedo and Edinburg, running roughly parallel to the SP at a distance ranging from 15 to 28 miles to the east. The Victoria-Beeville segment, SP 183, of the Valley has been designated as Class B main line (carrying 5 to 20 million gross tons annually) by the Department of Transportation in its Final Standards, Classification and Designation of Lines of Class I Railroads in the U.S., 1977. The Skidmore-Mathis (SP 188), Mathis-Alice (SP 189) and Alice-Edinburg (SP 029) segments are all Class A branch lines carrying between 1 and 5 million gross tons.

The Valley Line is intersected by four other lines. The Beeville-Skidmore segment of the SP San Antonio-Rockport Class A branch line is the link between the Fannin-Beeville and Skidmore-Alice segments of the Valley Line. Class B main line between San Antonio and Corpus Christi crosses the SP track at Mathis. At Alice, the Alice-Falfurrias segment of the SP is intersected by the Texas Mexican Class A branch line between Laredo and Robstown (near Corpus Christi). Finally, an SP track runs from Edinburg to Brownsville.

In summary, it appears possible to transfer all of the bridge traffic on the Valley Line to other lines in the region, particularly the parallel Mo-Pac line. While it should be possible to re-route most of the O&T traffic, it is not clear to what degree this will affect rail service and cause delays.

b. Relationship of the Line Segment to Highways, Waterways, and Other Modes of Transportation

There is an extensive transportation network in the Impact Area in addition to the railroad lines. The Fannin-Beeville segment runs parallel to U.S. Highway 59 and intersects north-south routes U.S. Highway 183 at Goliad and U.S. Highway 181 at Beeville. The Skidmore-Alice segment is parallel to State Highway 359, which joins the east-west State Highway 44 just before Alice. U.S. Highway 181 passes through Skidmore in a southeasterly direction as do State Highways 234 and 357, which pass through Mathis and Orange Grove respectively. U.S. Highway 181 is the highway running parallel to the Falfurrias-Edinburg segment. The principal east-west highways intersected are State Highway 285 at Falfurrias and State Highway 186 at Linn. All highways were found to be in excellent condition.

The Gulf Intracoastal Waterway, 40 to 50 miles to the east and southeast, carries barge traffic between the major Gulf Coast ports-- Houston, Corpus Christi, and Brownsville--and provides an important alternative to railroad and highways.

c. Special Considerations

There are no key sectors of the State's economy such as strategic mineral deposits or special crops that would be adversely affected by an abandonment of the Valley Line. All oil is currently shipped via pipeline. Hidalgo County is the major source of specialty vegetables in Texas, but these are usually shipped north by truck. Truck shortages have recently been experienced in the vegetable producing region and some of the produce has been shipped by rail. Most of this is routed over the Mo-Pac.

VI. RELATIVE ECONOMIC, SOCIAL, ENVIRONMENTAL AND ENERGY COSTS AND BENEFITS RESULTING FROM THE SELECTION OF ALTERNATIVES

a. Identification of Alternatives

The principal reasoning by the SP for abandoning the Valley Line is as follows: most of the traffic over the line is bridge traffic, with O&T traffic being relatively limited. The SP seeks trackage rights for the parallel Mo-Pac line, which is in superior physical condition. By abandoning the Valley Line and utilizing the Mo-Pac trackage rights, the SP believes that major rehabilitation and operating costs will be eliminated while bridge traffic revenues will be retained, resulting in a more profitable operation and in an efficient consolidation of major rail routes. (This does not consider that the cost of trackage rights on the Mo-Pac is likely to increase significantly if the Alice-Falfurrias segment is abandoned as well. Abandonment of the Alice-Falfurrias segment is considered inevitable once the other three segments are abandoned, since it would be isolated from the SP system.)

Most of the major cities and towns traversed by the Valley Line have alternative rail service, minimizing the adverse effects on the immediate impact area. The population of the communities that would lose all rail service if the Valley Line is abandoned is less than 4,000. These communities have limited development potential.

Abandoning the three segments of the Valley Line would have some adverse impacts on the area it passes through. There are 11 firms currently using the rail service regularly, and a number of occasional shippers that would lose service on the SP's Valley Line. The regular shippers accounted for 465 carloads in 1976 compared with an estimated 286 carloads by occasional or one-time users. Several of the largest shippers have access

to alternative rail service. Others are not heavily dependent on rail and are already at least partially geared for trucking. The potential for increased traffic is limited.

In view of the limited public impacts of abandonment and the high public cost of continued operation of the line, no alternatives to abandonment were considered. Possible alternatives to abandonment, including continued operation of all or some of the three segments, would involve expensive rehabilitation of the line. Such alternatives would be costly to the public in exchange for limited benefits. This assumes continued service to Coletto Creek and the rerouting of bridge traffic over the Mo-Pac.

b. Economic, Social, Energy and Environmental Costs and Benefits

Table 16 compares the likely impacts of abandonment of all service on the three segments of the Valley Line with continued service. The specific economic, social, energy, and environmental impacts presented in the table include:

- Employment - net change in employment resulting from the loss of jobs in businesses adversely affected by abandonment less the increase in jobs due to additional workers employed in trucking (or other activities).
- Payroll - net change in payroll estimated to be associated with the change in employment.
- Unemployment - net change in unemployment anticipated as a result of the abandonment.

- Transportation Costs - additional costs of transporting goods by alternative mode (e.g., truck), to the nearest rail head, including annualized capital costs for new transportation facilities such as trucks and loading docks.
- Investment - investment lost (especially in recently constructed rail facilities) and future investment that would not be made should rail service be abandoned.
- Taxes - local taxes lost (or in the long term, foregone) due to abandonment of the rail line, closing of certain plants, or decisions to cancel planned investment.
- Other Public Costs - increase in unemployment compensation.
- Energy - net change in fuel consumption due to a shift to alternative transportation modes.
- Environmental Effects - change in air emissions such as increase in hydrocarbons, nitrous oxides, carbon monoxide and particulates due to change in fuel consumption resulting from modal shift.
- Community Effects - change in development potential and population that is likely to occur in the Impact Area as a result of the cumulative effects of abandonment.

TABLE 16

SOCIOECONOMIC IMPACTS OF RAIL SEGMENT ABANDONMENT:
VALLEY LINE (THREE SEGMENTS)

	<u>Annual Impact</u> <u>Abandonment</u>
ECONOMIC IMPACTS	
<u>Employment Changes</u>	
Direct employment	
Current	0
Future	0
Unemployment	
(Number)	0
(Rate)	0
Payroll	
Current	0
Future	0
<u>Transportation Costs</u> ¹	
Additional cost of transporting goods - Current	\$25,000
Additional cost of transporting goods - Future	\$41,000
Capital cost of facilities and equipment - Current ²	\$ 5,000
Capital cost of facilities and equipment - Future ²	\$ 5,000
<u>Investment</u> ¹	
Amount of investment "lost" (companies) ³	
Current	-\$100,000
<u>Taxes</u> ¹	
Amount of local taxes "lost" (companies)	
Current	0
Future	-\$390
Amount of railroad taxes "lost"	
Current	-\$18,550
<u>Other Public Costs</u> ¹	
Increase in unemployment benefits	0
ENERGY IMPACTS	
<u>Net change in fuel consumption (gallons per year)</u>	
Current	2,225
Future	3,416

TABLE 16 (continued)

	<u>Annual Impact</u> <u>Abandonment</u>
ENVIRONMENTAL IMPACTS	
<u>Net change in emissions (pounds per year)</u>	
<u>Current</u>	
HC	53
NO _x	824
CO	550
SO _x	44
Particulates	23
<u>Future</u>	
HC	83
NO _x	1,293
CO	864
SO _x	69
Particulates	36
<u>Impact on Air Quality</u>	Minimal
COMMUNITY IMPACTS	
<u>Change in Population</u>	0
<u>Change in Development Potential</u>	Some

¹All dollars are 1977 constant dollars.

²Cost of capital equipment discounted over 10 years.

³Does not include relocation of up to \$1 million from one part of Impact Area to another.

For the current rail users, abandonment of the Valley Line would mean that up to \$1 million in planned investment could take place in nearby locations with alternative rail service rather than at the present location, whereas investment of between \$50,000 and \$100,000 might be postponed or curtailed. Some of this could be foregone altogether. Increased transportation costs of about \$70,000-\$101,000 might be incurred. No change in direct employment is anticipated. The railroad currently pays about \$19,000 in local taxes, much of which could be lost. Community impacts could also include as much as 3,500 gallons in additional fuel consumption and the resulting increases in fuel emissions and small deterioration in air quality. The development potential of the Impact Area could be somewhat adversely affected by abandonment. However, Section IV showed that the economic growth potential of most of the Impact Area, and particularly the smaller towns with no alternative rail service, is relatively limited. Although their prospects for future development are not particularly good, loss of rail service could adversely affect any opportunities for attracting industries to these towns in the future. For example, the Goliad Industrial Foundation has expressed concern that the ability to attract industry would be set back by the loss of rail. There would be few indirect impacts for farmers since rail plays a relatively minor role in the agricultural economy of the region. Similarly, the oil industry would not be significantly affected by an abandonment.

The impacts of abandonment on the individual rail users can be described as follows:

- Three companies in Goliad on the Fannin-Beeville segment--
Cattle Feeders, Inc., Worsham Feedlot, and Goliad Grain

Company--would lose service. Since they already truck in much of their commodities and are located only about 10 miles from rail service at Fannin, it is anticipated that the impacts of abandonment will be relatively minor. These firms will experience somewhat higher transportation costs as a consequence of having to truck a greater distance.

- Bee Agricultural Company is actually located on the San Antonio-Corpus Christi line of the SP near the junction with the Fannin-Beeville segment, but receives much of its commodities over the latter. The firm claims that a planned fertilizer storage capacity expansion is partially dependent on the continued operation of the Valley Line. Abandonment might result in somewhat curtailed expansion plans and some additional transportation costs if the planned expansion takes place.
- Bee County Co-op, located in Tynan on the Skidmore-Alice segment, reported that it would not cut back its operations in the event of an abandonment. However, rather than expanding current facilities as planned, the Co-op anticipates that new facilities would be built on alternative rail lines in Skidmore or Alice. The cost of transporting fertilizer to its current facilities from the nearest rail head would increase by up to \$6,175.
- Texas Plastics, Inc., located on the Skidmore-Alice segment, has major expansion plans. In the short term, storage and warehouse facilities might be acquired or leased on the Mo-Pac line 3 miles away. However, in the long term, relocation of the plant might be considered. If expansion occurs as planned the purchase of a truck would be warranted.

- Mathis Grain and Elevator Corporation, currently the most important shipper on the Valley Line, has two facilities in Mathis: one on the Mo-Pac and one on the SP Skidmore-Alice segment. Abandonment would probably result in a consolidation at the Mo-Pac facility in the long run. Otherwise, the facility on the SP could continue to be served using SP track as a siding. There would be a cost to the firm of either maintaining the siding or moving to the Mo-Pac facility. The firm has also expressed concern about the effect of the loss of competition between SP and Mo-Pac on rail service and rates.
- Orange Grove Co-operative would experience increased transportation costs of about \$5,600, assuming trucking to and from the nearest rail head. The firm might also need to invest in some loading facilities.
- The Orange Grove Grain Elevator, a seasonal operation, would switch to trucking at an increased cost of about \$4,000 per year. Even though only 15% of the grain is currently shipped by rail, the firm is concerned that shipping all grain by truck would be unprofitable.
- Linn Feed and Supply, the only regular shipper on the Falfurrias-Edinburg segment, would have supplies shipped to Edinburg by rail and have them trucked to Linn. This would require some investment in additional loading equipment (estimated at \$10,000) and result in increased trucking and handling costs of about \$3,660 per year. The firm's expansion plans would not be affected.

- A number of major shippers in the Alice Industrial Park, formally part of the Alice-Falfurrias segment, would be affected by an SP abandonment. These shippers, presently receive 525 cars of O&T traffic, much of which moves over the other three Valley Line segments. Although the Alice-Falfurrias segment has not yet been filed for abandonment, its eventual abandonment is inevitable if the rest of the Valley Line is abandoned because it would be isolated from the SP system. The Texas Mexican line through Alice does provide an alternative route for the Alice shippers. Shippers have expressed concern that the alternative routing could result in poorer service and delays. This situation is discussed in detail in the Alice-Falfurrias segment analysis.

In summary, the impacts of abandonment on shippers would be increased transportation and capital costs, some foregone investment, and the inconvenience it would cause. Furthermore, some firms would locate new facilities in towns retaining rail service. This translates into impacts on the communities involved, particularly with respect to their pattern of development. Larger and more prosperous towns, which have alternative rail service, will continue to be the focus of growth, while the smaller communities will find it even more difficult to grow.

In view of the relatively limited public impacts of abandonment, no alternatives to abandonment were evaluated, pending formalization and implementation of the trackage rights agreement with the Mo-Pac, and continued service to Coletto Creek.

VII. EVALUATION OF METHODS OF ACHIEVING ECONOMIES IN THE COST OF RAIL SERVICE OPERATIONS ON LINES ON WHICH SERVICE WILL BE CONTINUED

One of the principal bases for the SP's application for abandonment of the three Valley segments is to achieve operating economies through consolidated operations over the parallel Mo-Pac line from Harlingen-Placedo. This position is justified in view of the superior physical condition and higher operating speeds of the Mo-Pac trackage. Thus, absent considerations of O&T traffic on SP's lines, the abandonment itself represents a reasonable means of achieving economies in providing a route for SP's service to and from the Rio Grande Valley.



VIII. COMPETITIVE OR OTHER EFFECTS ON OR BY PROFITABLE RAILROADS

a. Competition

The entire sweep of coastal Texas is presently served by competing Mo-Pac and SP lines. In the terminology of the SP application, SP and Mo-Pac lines are "loosely parallel" not only between Victoria and Edinburg, but all the way from New Orleans, Beaumont, Houston, through the Coastal Bend and into the tip of Texas. A coastal arc of some 600 miles is served by the two railroads with many points in common. In general, SP and Mo-Pac primarily compete in the states of Texas, Louisiana and Arkansas, although the vast SP system stretches from Portland, Oregon, to New Orleans via the "Golden Crescent" of Pacific, Southwest and Gulf Coastal States. Through its wholly-owned subsidiary, St. Louis Southwestern (Cotton Belt), SP reaches northeast from Texas to St. Louis.

The Mo-Pac system, although smaller in geographic scope, still criss-crosses a large portion of the continent, roughly bounded by Chicago, Omaha, Pueblo, Colorado, El Paso, New Orleans and Memphis. In addition to numerous east-west traffic flows in Texas, Mo-Pac also carries a great deal of north-south traffic. SP, likewise, has major traffic flows in all directions

The SP Victoria-Edinburg Line and the parallel Mo-Pac line compete for north-south bridge traffic, as well as east-west traffic over the northern portions. Abandonment of the Valley Line would have an impact on this competitive situation. However, it is impossible at this time to measure accurately the effects of the SP proposal on competition between the two railroad companies. If the Valley Line abandonment represents the

first phase of an SP withdrawal from the South Texas market, competition between the two carriers would be affected in the long term. The SP, however, claims it is not withdrawing from the South Texas market, but rather is reorganizing its operations.

b. Profitability

The SP proposal is based on the argument that the company's profitability will be improved. The cost-revenue analysis in Section II shows that the Valley Line is currently profitable as a consequence of the high level of bridge traffic. However, the declining condition of the track means higher maintenance costs as well as declining bridge traffic revenues. By transferring bridge traffic to the parallel Mo-Pac track, which is in considerably better condition, SP expects to reverse the current decline in the profitability of the Valley Line. The SP would be giving up only relatively minor originating and terminating traffic revenues.

IX. CONSIDERATIONS RELATING TO RAIL BANKING

There are no known significant agricultural or fossil fuel natural resource developments pending in the area served by the three Valley segments that would justify rail banking.

Quite justifiably, concern exists regarding continued rail service to the Central Power & Light plant at Coletto Creek on the Victoria-Beeville segment. However, the position of the Railroad Commission is that such continued service should be a condition placed upon any abandonment, and, therefore, rail banking of that portion of the trackage should not be necessary.



X. DESCRIPTION OF ALTERNATIVES EVALUATED TOGETHER WITH AN ANALYSIS OF THE RELATIVE ADVANTAGES, DISADVANTAGES AND COSTS ASSOCIATED WITH EACH ALTERNATIVE

a. Brief Description of Alternatives

As indicated in Section VI, because of the relatively limited public impacts, no alternatives to abandonment of the Valley Line were considered, provided that bridge traffic be re-routed over the parallel Mo-Pac Line and service be continued to Coleta Creek. The rehabilitation and maintenance that would be required to continue carrying bridge traffic (the line would only be profitable with bridge traffic) involves costs not warranted by the limited potential benefits of continued service.

b. Movement of Existing and Future Traffic by Rail and Alternative Modes

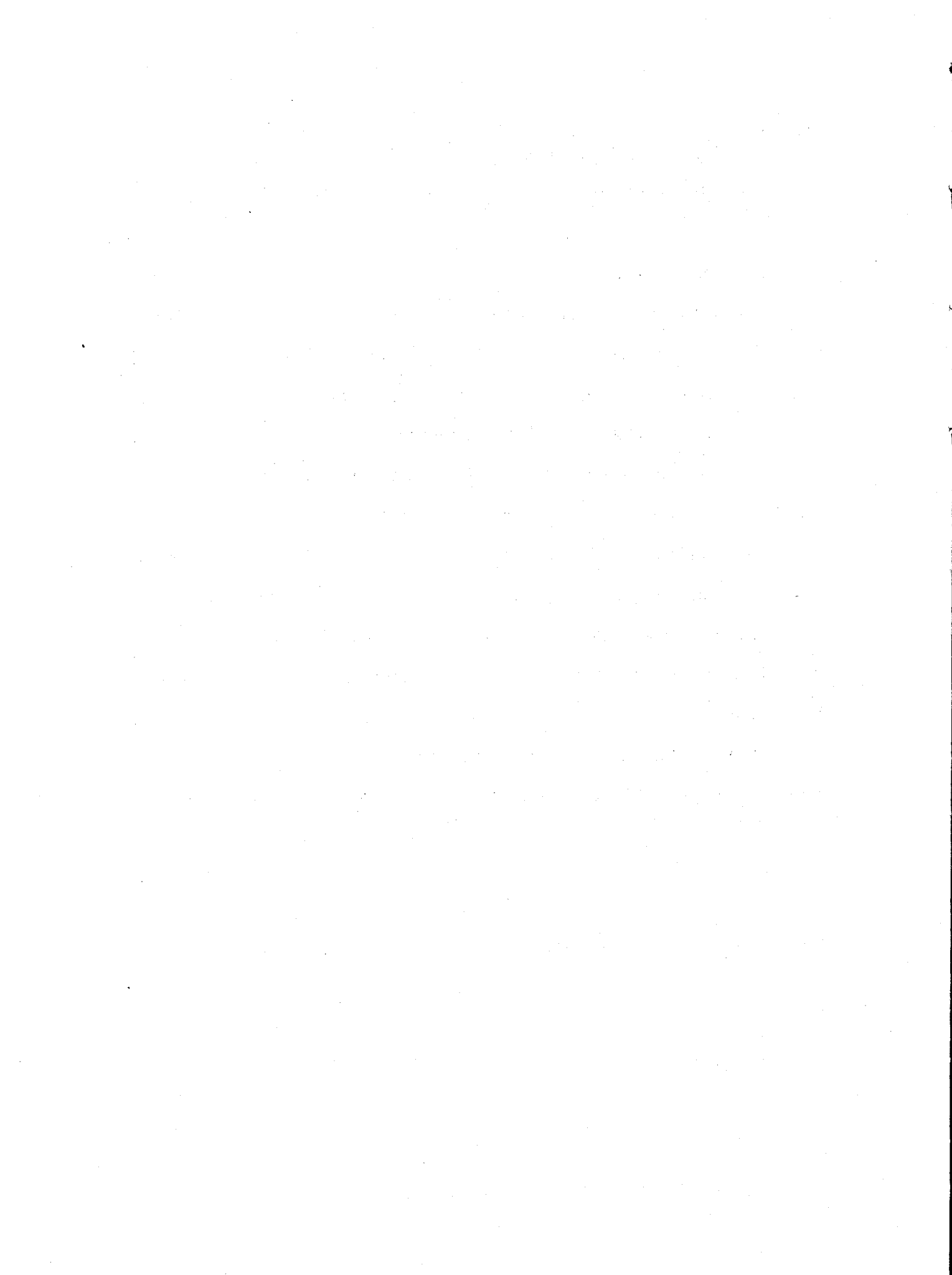
The Valley Line largely plays a role in moving bridge traffic from north to south and vice versa, and in connecting the various east-west and north-south lines in the region. The Valley Line is intersected by four other lines. The Beeville-Skidmore segment of the SP San Antonio to Rockport line actually becomes one with the Valley Line over this segment. The Mo-Pac's main line from San Antonio to Corpus Christi crosses the SP track at Mathis. At Alice, the Alice-Falfurrias segment of the SP is intersected by the Texas-Mexican line from Laredo to Robstown (near Corpus Christi). Finally, an SP track runs from Edinburg to Brownsville.

If the Valley Line is not abandoned, traffic is expected to move as at present. If the line is abandoned, it appears that most of the bridge traffic on the Valley Line could be transferred to other lines, particularly the parallel Mo-Pac line. Much of the limited O&T traffic can also be switched to alternatives. The Mo-Pac line between Placedo and Edinburg runs roughly parallel to the Valley Line at a distance ranging from 15 to 28 miles.

XI. CONCLUSION OF THE STATE AS TO WHETHER THE ALTERNATIVE SHOULD BE SELECTED FOR FEDERAL OR STATE ASSISTANCE

Although abandonment of the SP's Valley Line would eliminate direct rail service by the Southern Pacific to a large number of rail users and numerous communities, most current rail users have access to alternative rail service or do not appear to be dependent on rail service. Thus, although some users would incur increased operating expense, the overall public impacts were judged to be minimal. Long-term viability of the line requires that substantial bridge traffic continue to be routed over the line; however, the costs of rehabilitation and maintenance on the line before it could carry that volume of traffic would be very high.

Therefore, the public benefits of continued service do not appear to warrant the public expenditures that would be required. This line is not currently recommended for inclusion in the Certified Program of Projects, provided that service to Coletto Creek is retained and that bridge traffic is rerouted over the parallel Mo-Pac line. However, it is recommended that the Railroad Commission of Texas exert efforts to ensure that service be continued between Victoria and Coletto Creek (Fannin).



XII. STATEMENT OF STATE'S FUTURE ROLE ON EXPIRATION OF FEDERAL ASSISTANCE

No Federal financial assistance is contemplated.

Segment Analysis

ALICE-FALFURRIAS

RAILROAD COMMISSION OF TEXAS

With

Technical Assistance

of

Arthur D. Little, Inc.

October 1978

Revised January 1979



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PART A. SUMMARY

1. Introduction

The Southern Pacific Transportation Company (SP) anticipates that some time within the next three years it may seek to abandon a 39.3-mile segment running from Alice to Falfurrias. [This is a Category 1 designation in accordance with 49 CFR 1121.20(b)(1).] The SP will utilize instead trackage rights over the Missouri-Pacific (Mo-Pac) line, which runs roughly parallel to it. The Alice-Falfurrias rail line is the fourth segment of the so-called Valley Line between Victoria and Edinburg; the other three segments are the subject of an abandonment proposal originally filed in September 1975 (Category 3 designation).

The segment is located almost entirely within Jim Wells County, with a 3- to 4-mile portion in Brooks County. The population of these two counties in 1975 was about 34,000 and 8,000, respectively.

2. Traffic Characteristics

Traffic on this segment amounts to an estimated 730 originating and terminating carloads. Over 95% of this traffic is inbound and almost all terminates at Alice. Bridge traffic accounts for about 9,000 cars annually.

3. Economic Characteristics

a. Economic Activity

Employment in the area is predominantly in agriculture, mining, services and trade. Manufacturing employment is very low in both counties while employment in agriculture is declining. Employment growth is forecast to be limited and mostly in service industries.

b. Rail Users

There are 13 rail users on this line segment. Six of them, located in Alice, accounted in 1977 for approximately 70% of the 730 carloads that moved along the line. Almost 90% of the traffic was inbound. Approximately a 25% increase in traffic is forecast by 1980, with almost all of the increase forecast to occur in Alice.

c. Importance of Rail to Users

No users rely exclusively on rail; many rely on it as an optional mode. Users in Alice could still receive traffic via the Texas Mexican Railway Company (Tex-Mex), albeit with longer delivery times. Others report that they would rely on truck at increased costs.

4. Impact of Abandonment

Under the worst conditions--as described by the users interviewed--increased transportation costs of \$45,000 would result in 1977, increasing to \$53,000 in 1980. While this cost estimate is believed to be high, it has been used as a worst case condition for impact assessment. It also assumes continued rail service for the Alice shippers extended by the Tex-Mex. No jobs would be lost. Environmental effects are very limited, due primarily to a modest increase in truck traffic. The impacts of abandonment would be considerably more severe, however, if the rail users in Alice are not extended alternative rail service by the Tex-Mex.

5. Alternatives to Abandonment

The only apparent alternative to abandonment would be to subsidize the SP for its operating losses, estimated at some \$250,000 annually in the absence of bridge traffic. The significant costs and limited benefits

provided by this alternative do not warrant its further consideration.

Most of the potential impacts of abandonment are concentrated in the Alice area. These would be avoided if the trackage in the Alice area is transferred to the Tex-Mex Railway. The Railroad Commission of Texas should seek to insure that any SP abandonment be made contingent upon continued service in Alice by the Tex-Mex. In addition, any interchange arrangements should be monitored to insure adequate service to Alice shippers.

6. Inclusion in Certified Program of Projects

On the assumption that service to users in Alice will continue, no project is recommended for this line segment. As a strategy, the Railroad Commission of Texas should pursue such continued service by the Tex-Mex.

PART B. DETAILED ANALYSIS

1. Description of the Line

The SP has notified the I.C.C. that the rail segment between Alice and Falfurrias is subject to an abandonment application within three years.¹ [This is a Category 1 designation in accordance with 49 CFR 1121.20(b)(1).] The segment forms part of the so-called Valley Line between Victoria and Edinburg. An abandonment proposal for three other segments of the Valley Line, that is, Victoria-Beeville, Skidmore-Alice and Falfurrias-Edinburg, was filed on September 13, 1975 and is presently pending a decision by the I.C.C.² (The other three Valley segments are a Category 3 designation).

The Alice-Falfurrias segment has been analyzed in a separate report because its status is currently different from that of the rest of the line. However, all of the information below can be added onto the three-segment report should a filing action by the railroad company warrant it. The result would be an analysis of the Valley Line in its entirety. This has been done in a summary fashion in the Preface.

The rationale for abandonment is the same for the four segments. SP is seeking trackage rights for the Mo-Pac's track, which runs roughly parallel to and to the east of the Valley Line. By utilizing these trackage

¹Letter from Louis P. Warchot, Attorney, Southern Pacific Transportation Company to the Railroad Commission of Texas, dated April 25, 1977.

²The application for abandonment has been assigned ICC Docket Number AB-12 (Sub-No. 20). In companion documents filed with the abandonment application, SP applied for ICC approval of a Trackage Rights agreement between SP and MP (Finance Docket No. 28024) and also for approval to construct certain track connections between MP and the Texas Mexican Railway Company at Robstown, Texas (Finance Docket No. 28078).

rights, SP expects to achieve lower costs per ton-mile, benefiting from the superior physical condition of the Mo-Pac line. Bridge traffic will be moved to the Mo-Pac line, thus preserving the major source of revenues. The opportunity for increased profitability is likely to be adversely affected by the higher cost of the trackage rights if all four segments of the SP Valley Line are abandoned.

Figure 1 shows the location of the Alice-Falfurrias segment in relation to the State Rail System. Figure 2 shows its location in Jim Wells and Brooks Counties. The 39.3-mile segment runs from Milepost 40.9 in Alice to Milepost 80.2 in Falfurrias. Figure 3 shows the relationship of the Alice-Falfurrias segment and the three other Valley Lines to the Mo-Pac line. Figure 4 indicates the location of the stations on the segment.

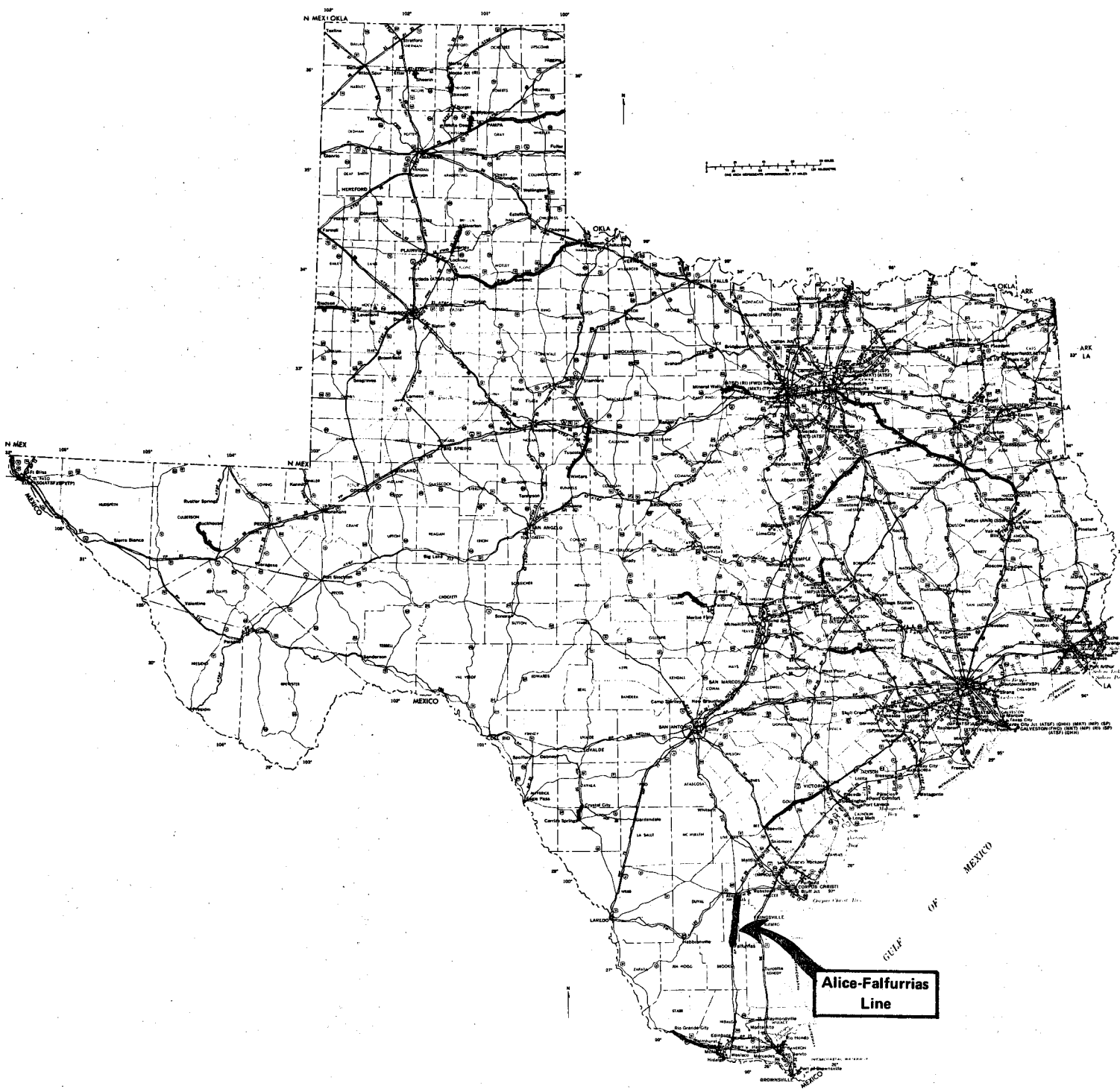


FIGURE 1 LOCATION OF ALICE FALFURRIAS LINE IN RELATION TO TEXAS RAIL SYSTEM

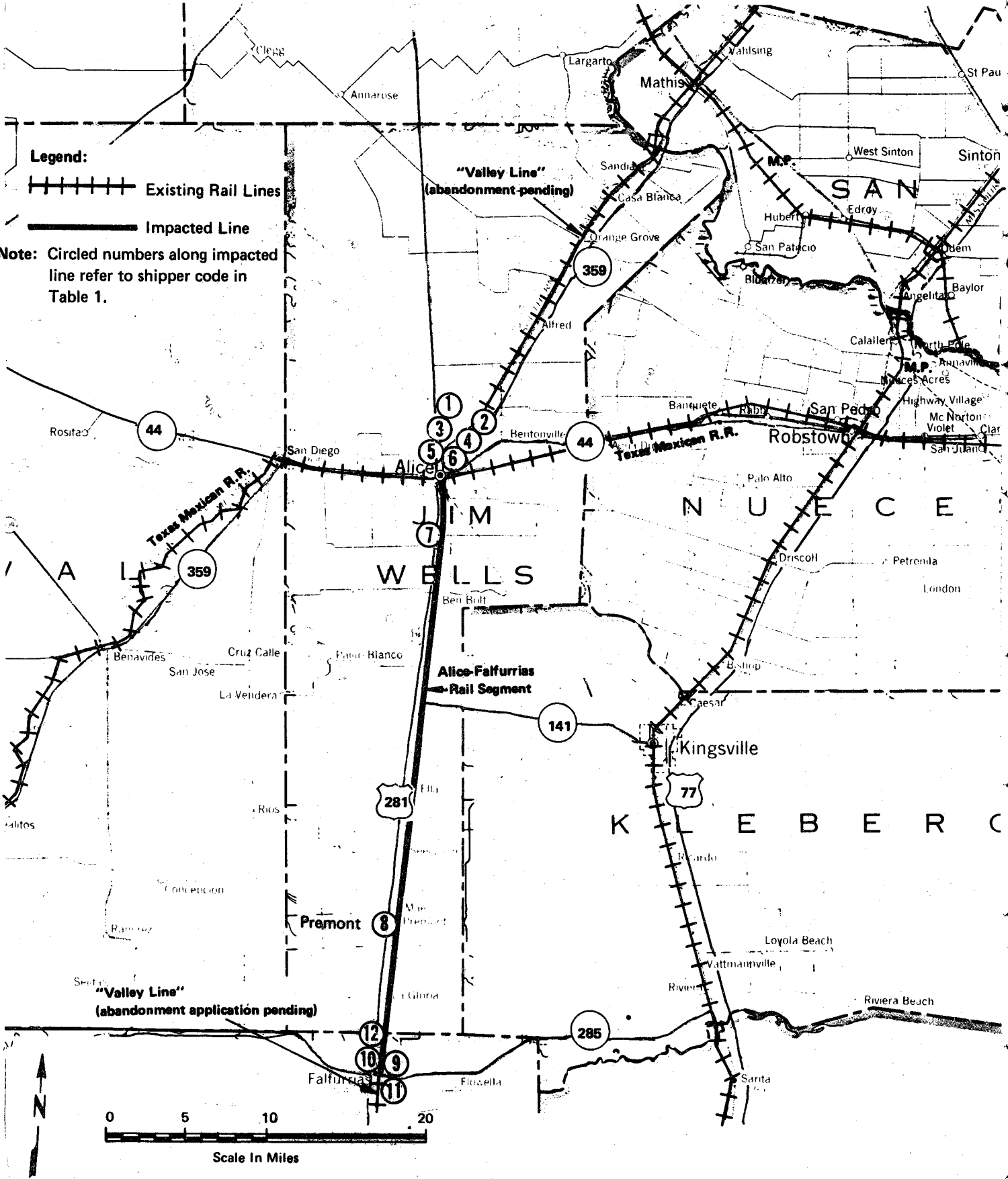


FIGURE 2 LOCATION OF ALICE-FALFURRIAS LINE IN JIM WELLS AND BROOKS COUNTY

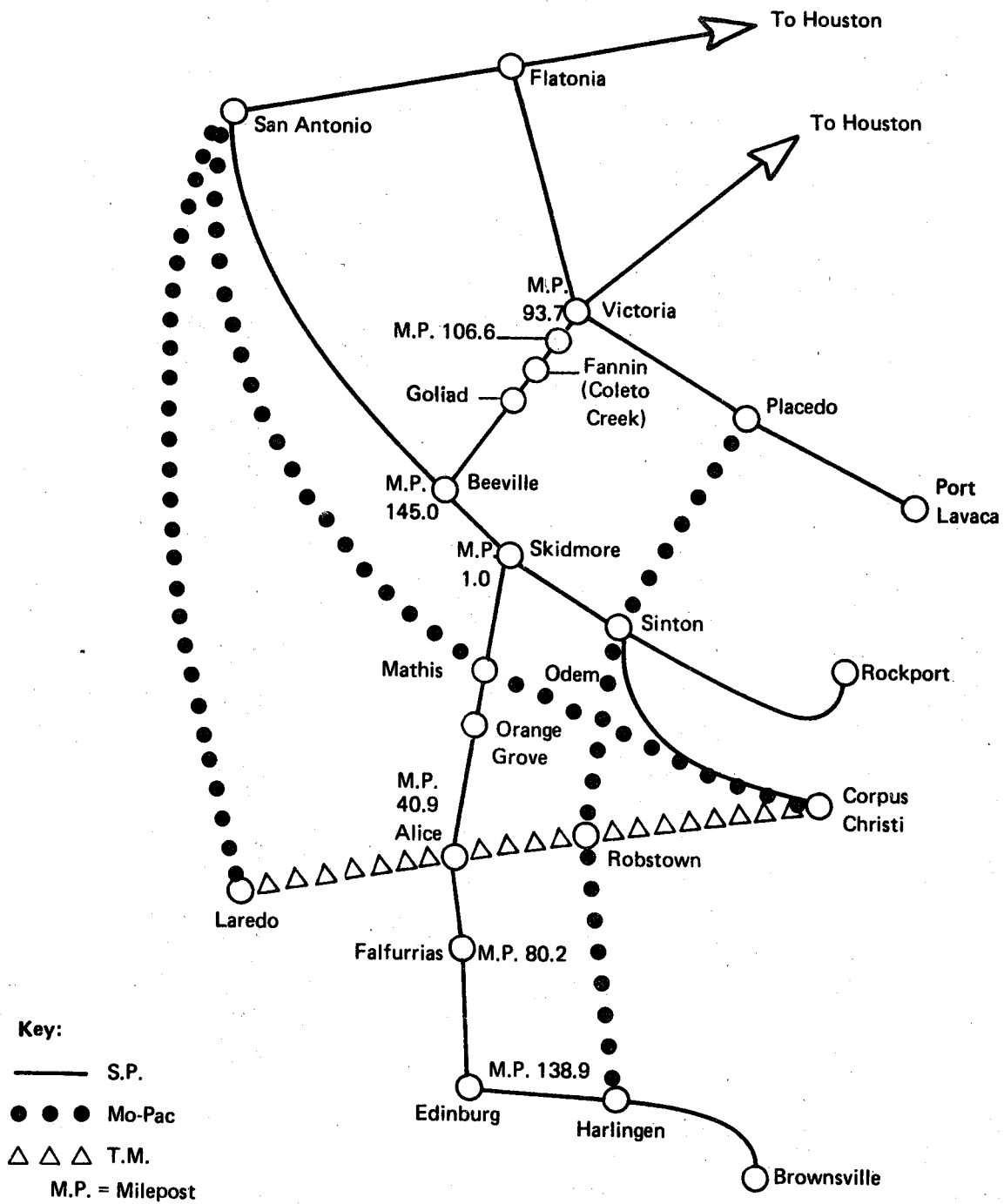
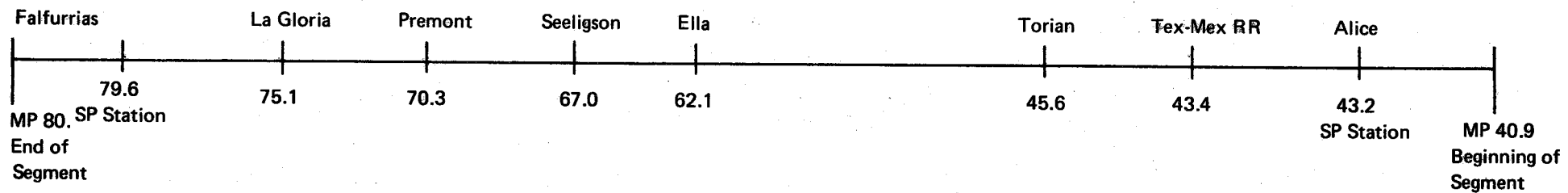


FIGURE 3 SCHEMATIC OF MAJOR RAIL LINES IN SOUTH TEXAS



Note: Schematic is not drawn to scale.

FIGURE 4 SCHEMATIC REPRESENTATION OF ANTICIPATED ABANDONMENT PROPOSAL ALICE-FALFURRIAS SEGMENT

I. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS ON THE LINE OF THE RAILROAD

a. Freight Traffic

Table 1 summarizes originating and terminating (O&T) traffic over the Alice-Falfurrias segment of the Valley Line. These figures, which are based on shipper interviews, show that in 1977, about 730 carloads of O&T traffic passed over the line, compared with 524 in 1973.

Over 95% of the O&T traffic is inbound and almost all of it terminates at companies in Alice. The most important commodities being delivered are drilling mud and chemicals (309 carloads), feed (161 carloads), and beer (over 100 carloads). The only outbound shipments are dunnage (10-12 carloads), and milo (30-50 carloads).

Bridge traffic is, by far, the most important source of traffic on the Alice-Falfurrias segment. This is also the case for the rest of the Valley Line. From material presented at hearings on the other three Valley segments, it can be estimated that bridge traffic over the Alice-Falfurrias segment was about 8,824 carloads in the 12 months between July, 1976 and June, 1977. Most of these cars ran between Houston and Brownsville or Flatonia and Brownsville.

The traffic per mile over the 39.3-mile segment amounts to almost 19 carloads per mile of O&T traffic, plus 225 carloads of bridge traffic (243 carloads of all traffic). This compares with six carloads per mile of O&T traffic and 346 carloads of bridge traffic per mile for the other three Valley segments. The average carloads per mile for the entire Valley Line is about 216 carloads of all traffic.

TABLE 1

CARLOAD RAIL TRAFFIC ON THE ALICE-FALFURRIAS LINE, 1973, 1977, and 1980

Code	Rail User	Location	Commodity	Originating			Terminating			Total Traffic			Estimates 1980
				1973	1977	1980	1973	1977	1980	1973	1977	1980	
1	Halliburton Services	Alice	Drilling Mud & Materials	-	-	-	58	116	116	58	116	116	116
2	Dowell Division, Dow Chemical	Alice	Drilling Mud & Materials	-	-	-	n.a.	98	117	n.a.	98	117	117
3	The Western Company	Alice	Drilling Mud & Materials	-	-	-	0	60	100	0	60	100	80
4	Factory Outlet Building Materials	Alice	Lumber & Building Mtls.	-	-	-	0	9	20	0	9	20	20
5	Alice Feeders Supply	Alice	Feed Petrochemicals	-	-	-	136	126	125	136	126	125	125
				-	-	-	0	0	55	0	0	55	55
			Subtotal	-	-	-	136	126	180	136	126	180	180
6	Hammock Distributing Co.	Alice	Dunnage Beer	10	12	15	-	-	-	10	12	15	15
				-	-	-	110	104	130	110	104	130	130
			Subtotal	10	12	15	110	104	130	120	116	145	145
	Alice Subtotal			10	12	15	304	513	663	314	525	678	658
7	Alice Elevator Company	Torian	Cottonseed hulls Milo	-	-	-	15	15	15	15	15	15	15
				50	0	30	-	-	-	50	0	30	30
			Subtotal	50	0	30	15	15	15	65	15	45	45
8	Occasional Users	Premont	Various	-	-	-	-	-	-	45	30	25	25
9	Zarsky Lumber	Falfurrias	Drilling Mud & Chemicals	-	-	-	35	35	85	35	35	85	60
10	Falfurrias Co-op	Falfurrias	Fertilizer Feed	-	-	-	n.a.	25	25	n.a.	25	25	25
				-	-	-	n.a.	35	35	n.a.	35	35	35
			Subtotal	-	-	-	n.a.	60	60	n.a.	60	60	60
11	Alamo Lumber	Falfurrias	Building Mtls.	-	-	-	5	5	5	5	5	5	5
12	Storm Farm Equipment Sales	Falfurrias	Farm Equipment	-	-	-	10	10	10	10	10	10	10
13	Occasional Users	Falfurrias	Various	-	-	-	-	-	-	50	50	50	50
	Total Alice-Falfurrias			60 ¹	12	45	369 ¹	638	838	524	730	958	913

¹Occasional shipments not included here but are included in Total Traffic. These include non-recurring shipments of building materials and equipment.
SOURCE: Interviews with rail users and Arthur D. Little, Inc., estimates.

b. Shipper Characteristics

The following notes describe the principal shippers located along the Alice-Falfurrias segment. Figure 2 indicates rail user locations on the line while Table 1 summarizes their use of the railroad. It should be noted that the majority of the most important shippers are located in the Alice area. These could retain rail service in the event of an SP abandonment because the trackage could be transferred to the Texas Mexican Railway which has a line passing through Alice. However, the routing provided by this alternative service would be indirect for some of the current rail users, causing additional delays.

1. Halliburton Services has a new plant located in the Alice Industrial Park. In 1976, the company received 116 carloads of gel, sand, and chemicals, compared with 58 carloads in 1973. Rail use is expected to remain at current levels in future years. The company employs 60 people with a payroll of over \$500,000. It has invested \$210,000 in its plant over the past 3 years and plans to construct a new laboratory building within the next 3 years. Rail service is important to the firm, particularly for inbound deliveries of oil field materials.
2. The Dowell Division of Dow Chemical Company has a plant in the Alice Industrial Park. The company provides drilling mud and other services for oilwell drilling. In 1976, the company received 98 carloads of sand, cement, and gel. Rail use is expected to increase by 20% during the next 5 years as a result of increased business activity. The firm is relatively dependent on rail for inbound deliveries of oil field materials.

3. The Western Company of North America's new plant is located in the Alice Industrial Park. In the past 3 years, the company has invested in a complete operational facility, including a bulk plant, sand plant, yard, shop, office, and specialized oil field service equipment. The company employs 75 with a total payroll of more than \$750,000. The company depends on rail service for shipments of bulk materials, and in 1976, received 60 carloads of sand and chemicals. Receipts are expected to rise to 100 carloads by 1980.
4. Factory Outlet Building Materials, a retail building materials supplier in Alice, receives about 9 carloads annually. Most of this is lumber, but cabinets and doors are also received. Currently, the company uses the SP team track. The company expects continued and expanded use of rail facilities as an alternative transportation mode. The company employs 22 full-time workers representing a total payroll of more than \$100,000. The firm has invested about \$70,000 in new facilities in recent years and expects to continue to expand.
5. Alice Feeders Supply, Inc., receives about 136 carloads of animal and poultry feeds and expects to receive an additional 40-70 cars of petrochemicals annually. Within the past 3 years, the firm has invested \$141,000 in new bulk feed bins, elevators, and a new warehouse. Rail plays an important role in the firm's activities. In the next 5 years, the company expects a 30% increase in use of rail. The company employs 10 full-time workers and has an annual payroll of \$50,000 to \$100,000.

6. The Hammock Distributing Company, Inc., a wholesale beer distributor located in Alice, receives approximately 100 cars of beer annually from Longview, Texas. The company has 20 full-time employees earning a total of \$275,000. A total of \$133,000 has been invested in equipment and facilities. The company plans a new warehouse, but the location will depend upon the availability of rail service. The company is dependent on rail service and has been distressed by delays of up to 15 days.
- A number of occasional rail users are located in Alice, including Conoco Oil, Lone Star Warehouse, Compress, Inc., and Alice Cotton Oil Company, but their average annual rail use is minimal.
7. The Alice Elevator Company, with a storage capacity of 800 carloads, is located at Torian, about three miles south of Alice. The company principally ships milo and receives sorghum, grain, cottonseed hulls and other crops.

The Company has its own rail siding. About 10-20 50-ton carloads (boxcars) of cottonseed hulls are received annually, while up to 50 carloads of milo have been shipped, mostly to Corpus Christi. It is estimated that only about 5% of the tonnage shipped is moved by rail.

The Company's annual sales are estimated to amount to \$3 million. An average of 12 full-time people are employed with a peak of 24, resulting in an average yearly payroll estimated to be about \$120,000. Local purchases are about \$15,000 and taxes about \$3,500.

There are no short-term (within 3 years) plans for expansion, although in the long term, consideration has been given to adding about 565 carloads of storage capacity. This does not appear to be affected by the potential rail abandonment.

The Alice Elevator Company needs rail for about 5% of its inbound commodities. For this portion rail is less expensive than trucking. On the other hand, the firm prefers trucks because of the time-saving in ordering, loading and delivering. Loss of rail service would not appear to affect the operations of the company, its employment, or long-term plans for expansion.

- 8.¹ The Mobil Oil Corporation in Seeligson is located about 3 miles north of Premont on U.S. Highway 281. The gas plant was established in 1949 and currently has a capacity of 6,000-7,000 barrels per day. Its main products are ethane, propane, butane, gasoline, and condensate. Most of these commodities are shipped to the Gulf Coast--Corpus Christi and the Houston area.

The company has its own rail siding with facilities for loading tank cars. During the last few years, the siding has only been used to bring in about four tank cars of lubrication oil from a Beaumont refinery. In the past, rail was used for shipping products in tank cars and for bringing in building materials for expansion of the plant in 1969. The company does not plan to use rail at all this year either for shipping or receiving products.

- The King Ranch Gas Plant Division of Exxon Corporation, established in 1969, maintains two sidings on the Valley Line at Ella, which

¹ Code 8 on Figure 2 indicates the approximate location of occasional rail users in or near Premont.

have tank carloading facilities. This large plant produces natural gas and liquefied petroleum gases.

The plant has not used the rail siding in the last 2 years. The plant manager foresees no use of the rail facilities in the future, although these probably would be maintained for standby use. Over 95% of its products are shipped by pipeline and the remainder (mostly propane) is shipped by truck.

- Mobil Oil Corporation is located at La Gloria, which is in Jim Wells County, south of Premont. The gas plant has a rail siding with facilities for loading tank cars. The plant has a capacity of 11,000 barrels per day and its main products are stabilized condensate, n-butane, ethane, gasoline, isobutane and propane.

The plant has not shipped products by rail for between 2 and 3 years. It does not have any specific plans to use rail. However, should markets change or trucking costs increase substantially, it is possible that the company would once again use rail.

- Occasional shipments of asphalt, gravel, and road-building materials are brought into Premont by the County. The extent of this depends on the County's road-building program and the amounts vary from year to year.
- Local construction companies occasionally bring in building materials by rail; however, none were brought in last year. The local lumber company (a subsidiary of Dresser Magcober) used to bring in lumber, building materials and drilling mud. The company discontinued its drilling mud business a few years ago and has not

used rail since. Building materials are trucked from Corpus Christi. Occasionally, some of the large dairies in the vicinity bring in feed by rail.

Total shipments by occasional rail users in the Premont area probably amount to an average of two to three cars a month--or about 30 annually. Loss of rail service would not appear to affect seriously the occasional users' operations or expansion plans.

9. Zarsky Lumber Company maintains a small warehouse and some storage tanks beside a siding of the Valley Line in Falfurrias. It receives about 30-40 carloads of sacked drilling mud and chemicals annually.

The warehouse and related operations require about four full-time workers year round. The annual payroll is about \$50,000. It is estimated that local purchases are about \$5,000 annually and taxes are about \$500. Freight costs amount to about 5%-10% of the value of goods shipped.

The company has been reorganizing its oil-drilling activities with the result that shipments have decreased. The company expects an increase of up to 50 carloads of drilling mud annually.

Abandonment of the rail line probably would not have a serious impact on Zarsky's operations.

10. The Falfurrias Co-op brings in bulk fertilizer and sacked feed by rail. Approximately 25 carloads (each weighing 45 tons) of fertilizer were unloaded in 1977, and between two to three carloads

of sacked feed (each weighing 30 tons) are received by rail monthly--or about 30-40 carloads annually. These commodities are all trucked to local farms.

To accommodate increased fertilizer shipments, the Co-op built a new \$80,000 fertilizer storage plant adjacent to its rail siding about 2 years ago.

Currently, the Co-op employs between six and eight people and has an annual payroll of between \$50,000 and \$75,000. Local purchases in the community amount to between \$5,000 and \$10,000. Local taxes are estimated to amount to about \$1,000. There are no immediate plans for expansion of the Co-op's facilities.

Abandonment of the rail segment would lead to increased transportation costs. It is estimated that transportation costs for feed from Fort Worth would increase by about \$2.00 per ton. Fertilizer costs would probably increase at least that much. Furthermore, there would be additional handling costs due to smaller loads.

It does not appear that the loss of rail service would result in a reduction of employment or cancellation of future expansion plans. The higher costs of feed and fertilizer would probably be passed on to farmers and ranchers in the area.

11. Alamo Lumber Company, a subsidiary of George C. Vaughn and Sons, has a rail siding located across Railroad Avenue from its facility in Falfurrias. The company, established in 1964, sells building materials and ready-mix cement. The primary market served is northern Brooks and southern Jim Wells Counties. Current employment is less than eight.

Alamo Lumber Company has occasionally brought in building materials by rail. It was estimated that five or six carloads a year have generally been received.

Abandonment of the rail line would probably not have a significant effect on Alamo Lumber Company's operations.

12. The Storm Farm Equipment Sales Company is located on U.S. Highway 281, a few miles north of Falfurrias. Its principal line of business is selling farm equipment. Large equipment, such as tractors and combines, is brought in by rail. This is unloaded at the team track in Falfurrias and trucked about 5 miles to the company. It is estimated that they receive 10-12 cars annually. Abandonment of the Valley Line would have a minor effect on the company.

It is expected that the company will maintain its present size during the next few years whether or not this rail segment is abandoned. Currently, the company employs an average of five full-time workers, an annual payroll of \$40,000-\$50,000 and local purchases of about \$10,000-\$15,000 yearly.

13. Occasional rail users in Falfurrias use the rail line primarily for receiving various goods. Included are the county and state highway departments who, from time to time, bring in road-building materials such as sand, gravel and asphalt. Other products include agricultural implements, feed products used by local farmers and ranchers, beer (Falstaff Distributing Company) and petroleum. Total receipts and shipments probably are less than 50 carloads annually.

The companies or public agencies that bring in occasional rail shipments probably would not be adversely affected by loss of rail service.

II. REVENUES DERIVED FROM RAIL FREIGHT SERVICES AND THE COST OF PROVIDING THESE SERVICES

a. Revenues

As noted elsewhere, the 39.3-mile Alice-Falfurrias segment is operated as an integral part of the SP line from Alice to McAllen. This line carries approximately 8,824 cars of bridge traffic and 730 cars of O&T traffic annually. Of the O&T total, more than 95% is terminating, mostly at Alice. Daily train service is operated primarily for the schedule convenience of the bridge traffic, which outnumbered O&T by a ratio of more than 12 to 1. The Brief of the State of Texas in Docket No. AB-12 (Sub-No. 20), dated September 15, 1978, cites 1,048 cars of O&T traffic for the July 1976-June 1977 time period, based on SP's Exhibit 40 in the related Valley abandonment case; field research in connection with the segment analysis did not reveal this level of traffic, however.

The best available estimate of O&T revenues on the Alice-Falfurrias segment is based on SP Exhibit 39 in Docket No. AB-12 (Sub-No. 20). The railroad's economic witness identified these revenues to be \$515,681 for 1976.

Bridge revenues for the 149.9-mile Valley segments (exclusive of Alice-Falfurrias) were calculated at \$4,697,071 on a mileage pro-rate share of total SP system revenues for traffic bridging the segments; on this basis, Alice-Falfurrias bridge revenues may be estimated at $[(39.3 \div 149.9) \times \$4,697,071]$ or \$1,231,454 for present operations. Bridge revenues would, of course, cease if the adjacent segments were abandoned. Total revenues, on this basis are \$1,747,135 for 1976.

b. Expenses

Valley case Exhibit 39 provides an SP estimate of expenses attributable to O&T traffic. No SP estimate of bridge traffic expense was provided, however. Moreover, it is impossible to ascertain the extent to which expenses for both O&T and bridge categories may be commingled.

Avoidable costs of operation for the Alice-Falfurrias line developed by SP in the Valley abandonment case are as follow:

Off-branch costs

O&T traffic	\$314,893
Bridge traffic	not given

On-branch costs

Maintenance of way	\$188,978
Maintenance of equipment	39,743
Transportation	142,753
Taxes	<u>61,434</u>

Total	\$747,801
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Only the crudest of estimates for the off- and on-branch expenses attributable to bridge traffic may be made readily; this involves application of a systemwide operating ratio of 77.4% to bridge traffic revenues as a means of estimating expenses. These expenses would be $[\text{.774} \times \$1,231,454]$ or \$953,145. Total expenses are an estimated \$1,700,946.

For the complete service, an operating profit of \$46,189 results from the calculation. The line, however, clearly may not be segmented from the complete operation of train service on the other Valley segments, since it is an integral part of these

operations. To attempt to isolate the line achieves little more than an exercise in cost and revenue allocation without a reasonable basis. On a basis which considers only O&T revenues (\$515,681) and expenses (\$747,801), the line loses \$232,120 according to SP's claim.

Without judging whether these revenues and expenses are consistently determined or of correct magnitude, it is still reasonable to conclude that the net effect on this segment resulting from diversion of bridge traffic would be dramatic and adverse. Whether the shift of bridge traffic would result in a loss as high as \$232,000 is uncertain, since operations presumably would be trimmed back substantially to accommodate just O&T traffic.

The anomalous operation of an Alice-Falfurrias segment operated discontinuously from the remainder of the SP system, however, would create inefficiencies which could be anticipated to decrease revenues and produce higher expenses. The State's position, reflected in its prosecution of the Valley abandonment case, is that the anticipated Alice-Falfurrias deficit would be brought about as a direct result of granting the Valley abandonment/trackage rights arrangement. This line of reasoning then suggests that such deficits must be treated as an offset to savings that would be affected by granting SP's pending Valley application. An additional cost of abandoning the Alice-Falfurrias segment is that it will increase the cost of the trackage rights on the Mo-Pac, under the terms of the proposed agreement between SP and Mo-Pac.

c. Operating Results and Breakeven

Subsequent to completion of a draft analysis of the Alice-Falfurrias rail segment, SP provided its 1977 Railroad Branch Line Annual Report Form R-6 worksheets specifically applicable to this segment. A summary of the data is shown in Table 2.

It is not known by what means of allocation or separation revenues attributable to bridge versus O&T traffic, on the one hand, were distinguished from expenses attributable to those two classes of traffic, on the other hand.

According to these SP data, revenues of \$708,071 were attributable to the segment. On-branch expenses of \$384,485 are shown and total expenses of \$965,912 are claimed. The operating result is a loss of \$257,841. A return on value element of \$439,425 is claimed; if continuation subsidy based upon this amount plus operating losses were offered, the public cost would total \$697,266.

In the absence of accurate carload traffic data, no meaningful estimate of breakeven traffic on the segment can be attempted. Data sources used for various estimates are shown in separate sources or footnotes.

TABLE 2

ALICE-FALFURRIAS
 BRANCH LINE R-6 WORKSHEET DATA PROVIDED BY SOUTHERN PACIFIC
 1977

Line mileage: 39.3
 Carloads: n.a.

<u>R-6 Schedule</u>	<u>Item</u>	<u>Amount</u>	<u>Line No.</u>
A	<u>Revenues</u>		1
	Freight	\$636,632	2
	Other	71,439	3
	Total	\$708,071	4
B1	<u>On-Branch Expenses</u>		5
	Maintenance of way	\$ 87,646	6
	Maintenance of equipment	30,564	7
	Traffic	-	8
	Transportation	266,275	9
	Sub-Total	\$384,485	10
B2	<u>Tax Accruals</u>	\$ 20,043	11
B3	<u>Computed On- and Off- Branch Expenses</u>		12 13
	Locomotive ROI	\$ 9,994	14
	Car costs	27,203	15
	Fringe benefits	54,773	16
	Sub-Total	\$ 91,970	17
B4	<u>Off-Branch Avoidable Expenses</u>		18
	Terminal costs	\$ 89,982	19
	Car costs	101,198	20
	Gross ton-mile costs	258,548	21
	Sub-Total	\$449,728	22
B5	<u>All Other Avoidable Expenses</u>		23
	Working capital	\$ 19,686	24
	Administrative costs	- ¹	25
	Sub-Total	\$ 19,686 ¹	26
	<u>Total Expenses (Lines 10,11,17,22,26)</u>	\$965,912	27
	<u>Operating Results (Line 4 minus line 27)</u>	(\$257,841)	28 29
	Return on Value	\$439,425	30

¹Omits \$20,500 foregone tax benefit claimed by SP.

SOURCE: Southern Pacific R-6 worksheets for 1977.

III. REVIEW OF THE CONDITION OF THE RAIL PLANT, EQUIPMENT AND FACILITIES

a. History of the Line

The Alice-Falfurrias segment of the Valley Line was first laid in 1904 by the San Antonio and Aransas Pass (SAAP) Railway. The line was acquired by the Southern Pacific Transportation Company in 1925 when SP took over the SAAP. The gravel and sand ballast was replaced in 1973.

b. Description of the Layout of the Branch Line Stations

The seven stations on the Alice-Falfurrias segment are, from north to south: Alice, Milepost 43.2; Torian, Milepost 45.6; Ella, Milepost 62.1; Seeligson, Milepost 67.0; Premont, Milepost 70.3; La Gloria, Milepost 75.1; and Falfurrias, Milepost 79.8.

Besides the railroad stations, there are a large number of sidings and team facilities on the segment. Just north of the switch with the Texas Mexican, Southern Pacific has a switching yard with several sidings. Three 20- to 40-car sections of trains were seen on these sidings during a field visit. There are an additional 8 to 10 turnouts off the main line in the City of Alice, including a team track facility. There is one siding in nearby Torian. There are no sidings for 17 miles south until the town of Ella. Seeligson has a number of sidings, mostly to natural gas plants, but these are largely not used. Premont's various sidings include a team track used by occasional shippers and a few that are rarely utilized. The La Gloria siding, belonging to a natural gas plant, is also rarely used. Falfurrias has a number of turnouts and sidings, including team track facilities.

c. Physical Characteristics

Based on a number of spot checks, it appears that the northern part of the Alice-Falfurrias segment is in good condition, particularly in comparison with much of the rest of the Valley Line. The 75-pound rail is relatively level and the ballast is reasonably new. Maintenance seems better than on other parts of the line. The railroad track from Premont to Falfurrias appears to be in worse condition than track north of Premont. The track is uneven and the ballast looks rather old.

IV. ECONOMIC AND OPERATIONAL ANALYSIS OF PRESENT AND FUTURE FREIGHT SERVICE NEEDS

a. Economic Overview

1. Definition of Area of Impact

The Alice-Falfurrias segment of the Valley Line is almost entirely located in Jim Wells County. The last 3 to 4 miles of the segment are located in Brooks County.

The three other Valley Line segments run through five counties-- Goliad, Bee, Victoria, San Patricio and Hidalgo--in addition to Jim Wells and Brooks. An economic overview of the seven-county region is presented in the analysis of the other three Valley Line segments and is not repeated here. However, it is useful to highlight some of the economic characteristics and trends exhibited by the counties and towns immediately affected by the Alice-Falfurrias segment.

2. Population and Economic Trends

The population of Jim Wells County peaked in 1960 at 34,548; that of Brooks County peaked in 1950 at 9,195 (Table 3). The two counties experienced significant population declines in the 1960-1970 decade, dropping to 33,032 and 8,005. Since then, the population of Jim Wells has begun to rise again, while Brooks continues to decline. The 1975 populations were 33,919 for Jim Wells and 7,749 for Brooks.

Projections developed by the Texas Water Development Board (now the Texas Department of Water Resources) indicate that the population of Jim Wells County will have grown by 6.3% between 1970 and 1980, after which time growth will level off to 3.1% and 3.3% between 1980-1990 and 1990-2000, respectively. Meanwhile, Brooks' population is expected to have declined by 1% between 1970-1980 and then remain stable through

TABLE 3

POPULATION OF JIM WELLS AND BROOKS COUNTIES

<u>Year</u>	<u>Jim Wells Total</u>	<u>Alice</u>	<u>Percent of County</u>	<u>Premont</u>	<u>% of County</u>	<u>Brooks Total</u>	<u>Falfurrias</u>	<u>% of County</u>
1910	-	2,136	-	-	-	-	-	-
1920	6,587	1,880	29	-	-	4,560	-	-
1930	13,456	4,239	32	-	-	5,901	-	-
1940	20,239	7,792	38	1,080	5	6,362	-	-
1950	27,991	16,449	59	2,619	9	9,195	6,712	73
1960	34,548	20,861	60	3,049	9	8,609	6,515	76
1970	33,032	20,121	61	3,282	10	8,005	6,355	79
1975	33,919	20,317	60	2,795	8	7,749	6,201	80

Source: Texas Almanac, 1978-1979. A. H. Belo Corporation, Dallas, Texas, 1977.

the year 2000. Table 4 shows how population trends in Jim Wells and Brooks Counties compare with the Corpus Christi BEA¹ (of which the two counties are a part) and with the State of Texas (Figure 5).

There are eight communities along the rail segment in Jim Wells County and one in Brooks County. They are from north to south: Alice, Ben Bolt, Torian, Ella, Seeligson, Mae, Premont, La Gloria, Falfurrias. All except for Alice, Premont and Falfurrias are very small, being little more than railroad stations and a cluster of buildings. The populations of the larger communities and their relative importance in the County are shown in Table 3. Alice and Falfurrias, both county seats, represent 60% and 80% of Jim Wells and Brooks Counties' populations, respectively.

The employment structure of Jim Wells and Brooks Counties is shown in Tables 5 and 6. Agriculture and mining account for an unusually high 33% of employment in Jim Wells County and 34.3% in Brooks. Mining activity (mostly oil and gas) is particularly important in Jim Wells. Services and trade also account for high percentages of employment opportunities. Manufacturing employment is very low in both counties."

Employment opportunities have been increasing at a slow rate in Jim Wells but at a fairly rapid rate in Brooks. However, the growth in Brooks County has largely been in the service sectors and, given a declining population, the trend is not likely to continue. Both counties

¹U.S. Department of Commerce and U.S. Department of Agriculture. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

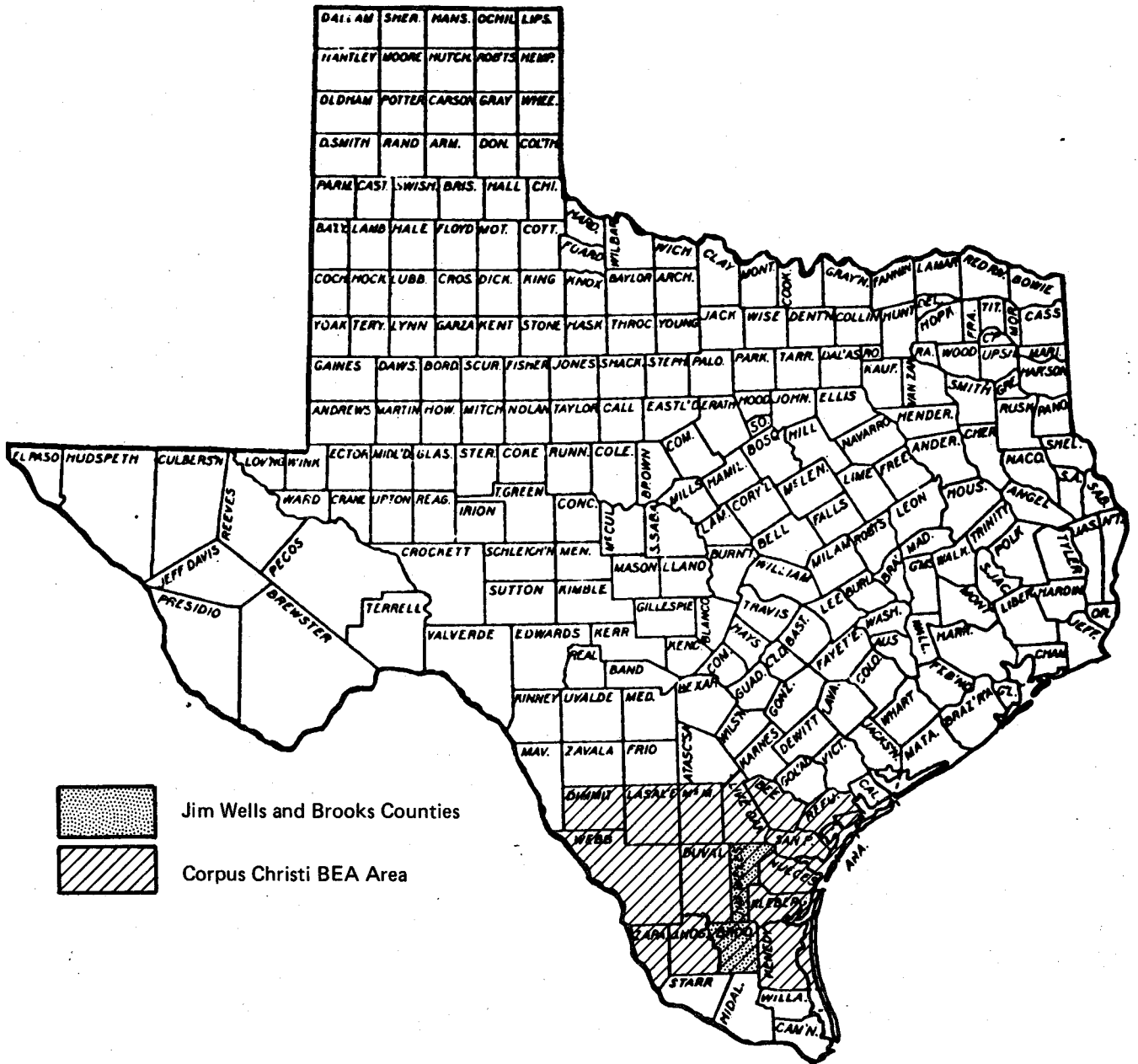


FIGURE 5 LOCATION OF JIM WELLS AND BROOKS COUNTIES WITHIN THE THE STATE OF TEXAS AND THE CORPUS CHRISTI AREA

TABLE 4

POPULATION TRENDS AND FORECASTS IN JIM WELLS AND
BROOKS COUNTIES, CORPUS CHRISTI BEA ECONOMIC AREA, AND THE STATE OF TEXAS
1960-2000

	<u>1960-70</u>	<u>1970-80</u>	<u>1980-90</u>	<u>1990-2000</u>
Jim Wells County ¹	- 4.4%	6.3%	3.1%	3.3%
Brooks County ¹	- 7.0%	- 1	0	0
Corpus Christi BEA ²	N.A.	4.8%	5.2%	5.2%
State of Texas ²	16.9%	19.7%	16.4%	17.2%

¹Texas Water Development Board (now Texas Department of Water Resources). Population Projections. 1976.

²U.S. Department of Commerce and U.S. Department of Agriculture. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

TABLE 5
EMPLOYMENT IN JIM WELLS AND BROOKS COUNTIES
1970 and 1975

	<u>Jim Wells</u>		<u>Brooks</u>	
	<u>1970</u>	<u>1975</u>	<u>1970</u>	<u>1975</u>
Mining	1,406	1,120	69	183
Construction	591	582	72	15
Manufacturing	432	321	50	70
Public Utilities	461	466	76	33
Wholesale and Retail Trade	1,868	2,210	385	451
Finance, Insurance, Real Estate	292	303	28	40
Services	1,093	1,257	166	381
Subtotal ¹	6,143	6,259	846	1,173
Agriculture ²	927	900	337	295
Total	7,070	7,159	1,183	1,468

¹U.S. Department of Commerce, Bureau of the Census. County Business Patterns. Texas. CBP-75-45, Washington D.C., 1976. (Excludes self-employed persons, farm employees, domestic workers, and railroad employees. Data are reported for county of employment.)

²U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics. Texas. PC(91)-C45 Tex., April 1972. (Data on agricultural employment are not available for 1975 from the Census; therefore the trends for the Corpus Christi BEA Area are applied to derive a 1975 estimate.)

TABLE 6

COMPARISON OF THE EMPLOYMENT STRUCTURE OF
JIM WELLS AND BROOKS COUNTIES, THE CORPUS CHRISTI BEA AREA, AND THE STATE OF TEXAS

	<u>1970</u>			
	<u>Jim Wells¹ County</u>	<u>Brooks¹ County</u>	<u>Corpus² Christi BEA Area</u>	<u>State of Texas</u>
Agriculture	13.1	28.5	9.1	4.4
Mining	19.9	5.8	5.8	2.4
Construction	8.4	6.0	8.9	7.0
Manufacturing	6.1	4.2	9.8	17.4
Public Utilities	6.5	6.4	6.0	6.4
Wholesale and Retail Trade	26.4	32.5	20.6	20.9
Finance, Insurance, Real Estate	4.1	2.4	3.0	29.9
Services	<u>15.5</u>	<u>14.0</u>	<u>36.9</u>	<u>11.6</u>
Total	100	100	100	100

¹U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics. Texas. PC(91)-C45 Tex., April 1972.

²U.S. Department of Commerce and Department of Agriculture. OBERS Projections of Economic Activity in The United States. Volume II. BEA Economic Areas. Washington D.C., 1972.

exhibit relatively high concentrations of employment in the State's slower-growing sectors, such as agriculture and mining, and lower proportions in rapidly-growing sectors such as manufacturing. This implies that employment growth in the future will be limited. Table 7, which summarizes trends for the BEA Region, suggests the general direction of employment in the impact area.

Table 8 shows that the unemployment rate in the two county impact area is close to the state level although it has been getting worse in Brooks County.

The two most important economic sectors besides services in the two-county impact area are agriculture and mining. Table 9 shows that harvested acreage has declined significantly in Jim Wells County while it has increased in Brooks County. Sorghum is the most important crop. Livestock is much more important than crops in terms of value. In 1976, livestock accounted for 64% and 76% of total agricultural cash receipts in Jim Wells and Brooks Counties, respectively.

Oil and gas represent almost all of the mining activity. In 1975, 3,934,455 barrels of crude oil were produced in Jim Wells County compared with 5,127,847 in 1974 and higher levels in earlier years. Brooks County produced 1,403,092 barrels in 1976 and 2,558,925 in 1974.

Manufacturing activity is limited in the two counties. A number of natural gas and petrochemical processing plants are located along the rail line in question. There are about 18 manufacturing firms in Jim Wells and five in Brooks, but almost all are very small. The City of Alice has set up an Industrial Park north of town, which so far has attracted primarily businesses providing supplies and services to the oil industry.

TABLE 7

EMPLOYMENT STRUCTURE, TRENDS AND PROJECTIONS IN THE CORPUS CHRISTI BEA REGIONAL AREA,
1950-2000

	<u>1950</u>	<u>% Distri- bution</u>	<u>1966</u>	<u>% Distri- bution</u>	<u>1980</u>	<u>% Distri- bution</u>	<u>1990</u>	<u>% Distri- bution</u>	<u>2000</u>	<u>% Distri- bution</u>
Agriculture	25,528	19.3	15,491	9.1	11,900	8.3	10,500	5.5	9,600	4.6
Mining	8,080	6.1	9,779	5.8	7,700	5.4	6,800	3.5	6,000	2.9
Construction	11,939	9.0	15,014	8.9	15,600	10.9	16,200	8.4	17,100	8.3
Manufacturing	9,559	7.2	16,543	9.8	19,100	13.3	20,800	10.8	23,100	11.2
Transportation & Utilities	10,788	7.8	10,141	6.0	11,300	7.9	12,300	6.4	13,700	6.6
Wholesale & Retail Trade	27,497	20.8	35,011	20.6	38,600	27.0	40,100	20.8	42,500	20.6
Finance, Insurance & Real Estate	3,029	2.3	5,074	3.0	6,300	4.4	7,000	3.6	7,700	3.7
Services	24,140	18.3	36,760	21.7	4,400	3.1	49,400	25.6	55,900	27.0
Government	<u>12,035</u>	<u>9.1</u>	<u>25,797</u>	<u>15.2</u>	<u>28,300</u>	<u>19.8</u>	<u>29,500</u>	<u>15.3</u>	<u>31,100</u>	<u>15.0</u>
TOTAL	132,095	100.0	169,610	100.0	143,200	100.0	192,600	100.0	206,700	100.0

SOURCE: U.S. Department of Commerce and U.S. Department of Agriculture. OBERS Projections
of Economic Activity in the United States. Volume II. BEA
Economic Areas. Washington, D.C., 1972.

TABLE 8

UNEMPLOYMENT IN JIM WELLS AND BROOKS COUNTIES
AND THE STATE OF TEXAS

	<u>1970¹</u>	<u>1976²</u>
<u>Jim Wells County</u>		
Unemployment, number	623	669
Unemployment, percent	5.6	5.4
<u>Brooks County</u>		
Unemployment, number	108	226
Unemployment, percent	4.6	7.9
<u>State of Texas</u>		
Unemployment, percent	5.7	5.7

¹Texas Almanac, 1978-1979. A.W. Belo Corporation, Dallas Texas, 1977.
(Data from Texas Employment Commission).

²Texas Employment Commission, Labor Force Estimates for Texas Counties,
Averages 1976. Austin, Texas, February 7, 1977.

TABLE 9

HARVESTED ACREAGE IN JIM WELLS AND BROOKS COUNTIES
1970 AND 1976

	Jim Wells		Brooks	
	<u>1970¹</u>	<u>1976²</u>	<u>1970¹</u>	<u>1976²</u>
Sorghums	72,700	70,100	2,300	6,000
Hay (except Sorghum)	6,000	5,500	3,500	3,100
Corn (Grain)	1,000	600	400	-
Vegetables	3,500	760	2,900	2,400
Upland Cotton	6,000	1,500	-	-
Flax Seed	4,500	6,200	-	-
Cowpeas	-	-	-	800
TOTAL	93,700	84,660	9,100	12,300

¹U.S. Department of Agriculture and Texas Department of Agriculture.
1971 Texas County Statistics. Bulletin 92, August 1972.

²U.S. Department of Agriculture and Texas Department of Agriculture.
1976 Texas County Statistics. Bulletin 152, September 1977.

3. Implications of Trends for Future Rail Traffic

Almost all of the current originating and terminating (O&T) traffic on the Alice-Falfurrias segment is generated by oil and agricultural activities. Agriculture in the area traversed by the rail segment in question is stable or declining and it is not likely that more rail traffic will be generated. Oil and gas are now entirely piped out and the probability that rail will be required in the future is slight. Drilling mud suppliers and other oil-related businesses are presently the most significant rail users. However, since oil exploration has peaked in the area, opportunities for increased oil field supplies are limited. Finally, manufacturing activity is limited and unlikely to increase significantly. Rail traffic generated by manufacturing is not likely to take up the slack created by the declining agriculture and oil sectors. In summary, the economic characteristics and trends in the two counties suggest that there are few opportunities for substantial increases in rail traffic over the Alice-Falfurrias segment.

b. Current and Projected Rail Freight Operations and Traffic

1. Current Rail Operations

The Alice-Falfurrias segment is served by one train per day in each direction. Because of labor agreements that require SP to retain a minimum of six train crews for all its operations south of Alice, there appears to be a redundancy of operating personnel in the area. Present service over the segment is actually handled by crews which operate between Alice, at the northernmost point, to McAllen at the southernmost. Train service is operated primarily to accommodate bridge traffic.

2. Rail Users

Table 1 summarizes current and projected originating and terminating traffic over the Alice-Falfurrias segment. In 1976, a total of 730 cars of O&T traffic was reported by shippers, almost all of which was inbound. The shippers estimated that the 1980 level would rise to 958 carloads. Many of the shippers believe their businesses will expand rapidly, requiring additional rail service. Given the economic trends discussed above, some of these projections appear to be optimistic, however, and should be viewed as on the high side of the likely range of rail traffic.

Most of the traffic is expected to continue to be inbound, moving drilling mud and chemicals, feed, fertilizer, and beer. Traffic will also continue to be concentrated in the Alice area and, to a lesser extent, in Falfurrias.

V. ANALYSIS OF THE IMPLICATION OF ABANDONMENT ON THE TRANSPORTATION NEEDS OF THE STATE

a. Relationship of the Line Segment and its Traffic to the State Rail System

The Southern Pacific's Alice-Falfurrias segment forms part of an extensive rail network in Southeastern Texas. It is part of the so-called Valley Line, which largely serves in moving bridge traffic from north to south and vice versa, and in connecting the various east-west and north-south lines in the region. The Victoria-Beeville segment, SP 183, of the Valley has been designated a Class B main line (carrying 5 to 20 million gross tons annually) by the Department of Transportation in its Final Standards, Classification and Designation of Lines of Class I Railroads in the U.S., 1977. The Skidmore-Mathis (SP 188), Mathis-Alice (SP 189), and Alice-Edinburg (SP 029) segments are all Class A branch lines carrying between 1 and 5 million gross tons. The importance of this role is diminished by the existence of the Mo-Pac Class A main line between Placedo and Edinburg, running roughly parallel to the SP at a distance ranging from 15 to 28 miles to the east.

The Valley Line is intersected by four other lines. The Beeville-Skidmore segment of the SP San Antonio-Rockport Class A branch line actually becomes one with the Valley Line over this segment. The Mo-Pac's Class B main line from San Antonio to Corpus Christi crosses the SP track at Mathis. At Alice, the Alice-Falfurrias segment of the SP is intersected by the Texas Mexican Class A branch line from Laredo to Robstown (near Corpus Christi). Most of the O&T traffic on the Alice-Falfurrias segment could continue to be moved over the Tex-Mex. Finally, an SP track runs from Edinburg to Brownsville.

Direct state interest in the Alice-Falfurrias segment appears slight. Although the segment has not yet been filed for abandonment, the inevitability of its demise seems clear if the pending abandonment of contiguous Skidmore-Alice and Falfurrias-Edinburg segments is granted. The segment would have to be operated as a physically discontinuous portion of the SP system if the latter two segments are abandoned, since SP does not propose to use trackage rights over the Tex-Mex between Robstown and Alice. The direct demand for service on the Alice-Falfurrias segment is not sufficient to warrant continued operation of the line.

b. Relationship of the Line Segment to Highways, Waterways, and Other Modes of Transportation

The Alice-Falfurrias segment of the Valley Line runs parallel to U.S. Highway 281 over the entire distance. The track is intersected by State Highway 141 and by seven farm-to-market roads, all of which are in Jim Wells County. Alice is served by the Texas Mexican Railway line from Laredo to Corpus Christi, which provides alternative railroad service.

c. Special Considerations

There are no key sectors of the State's economy such as strategic mineral deposits or special crops that would be affected by an abandonment of the Alice-Falfurrias segment. Although a large percentage of the State's specialty vegetables are produced in the southern tip of Texas, most are transported north by truck. During truck shortages, some are shipped by rail, but most are routed over the Mo-Pac line.

VI. RELATIVE ECONOMIC, SOCIAL, ENVIRONMENTAL AND ENERGY COSTS AND BENEFITS RESULTING FROM THE SELECTION OF ALTERNATIVES

a. Identification of Alternatives

The key reasons for abandoning the Alice-Falfurrias segment are the same as for the rest of the Valley Line. Originating and terminating traffic is relatively limited, while most of the traffic is bridge traffic. Because of the length of the Valley Line and the costs of maintaining it, and the relatively low level of O&T traffic, the Southern Pacific believes its overall profitability (discussed in Section II) could be improved by transferring the bridge traffic to the Mo-Pac line. The SP seeks trackage rights over the Missouri Pacific line, which runs parallel and to the east of the Valley Line, and traverses a more intensively used transportation corridor. By abandoning the Valley Line and utilizing the Mo-Pac trackage rights, SP believes that it could avoid significant expenses while retaining the bridge revenues. It would also result in an efficient consolidation of major rail routes.

None of the alternatives to abandonment that were considered appear to be practically reasonable for further evaluation. Continuation of service along the entire length of the line would require an annual operating subsidy of at least \$250,000 (excluding return on investment considerations). The limited public impacts of abandonment of service to rail users south of Alice would not warrant the necessarily substantial outlays of public funds when contrasted with the limited costs and substantial benefits of continuing service to users in Alice via conveyance of trackage to the Tex-Mex. Therefore, the continue service alternative was not judged to merit further detailed consideration.

The only reasonable alternative identified was abandonment of the line south of Alice, conditioned upon continuation of rail service to Alice users.

b. Economic, Social, Energy and Environmental Costs and Benefits

Table 10 summarizes the likely impact of abandonment of the Alice-Falfurrias line assuming continuation of rail service to the Alice users by the Tex-Mex. The specific economic, energy, environmental and community impacts presented in the table include:

● Economic Impacts

-- Employment. Abandonment would have no effect on employment by rail users. This is because the principal employers, as well as some of the companies most dependent on rail, are located in Alice and are not expected to lose service if the Alice shippers can, indeed, be served by the Tex-Mex.

-- Other Public Costs. Since no loss of employment is foreseen as a result of the proposed abandonment, no increase in unemployment or welfare benefits is forecast.

● Energy Impacts

-- Fuel Consumption. By multiplying the tonnage of commodities which could no longer be moved by rail by the distance to the nearest rail head and then applying standard fuel consumption rates for trucks and locomotives, the additional fuel consumption resulting from switching to trucks can be calculated. The increase in fuel consumption would be relatively small.

TABLE 10

SOCIOECONOMIC IMPACTS OF ABANDONMENT OF THE
ALICE-FALFURRIAS RAIL SEGMENT

	<u>ANNUAL IMPACT</u> <u>Abandonment</u>
ECONOMIC IMPACTS	
<u>Employment Changes</u>	
Direct employment	
Current	0
Future	0
Unemployment	
(Number)	0
(Rate)	0
Payroll	
Current	0
Future	0
<u>Transportation Costs</u> ¹	
Additional cost of transporting goods - Current	\$45,000
Additional cost of transporting goods - Future	\$53,500
Capital cost of facilities and equipment - Current	0
Capital cost of facilities and equipment - Future	0
<u>Investment</u> ¹	
Amount of investment "lost" (companies)	
Current	0
Future (foregone)	0
<u>Taxes</u> ¹	
Amount of local taxes "lost" (companies)	
Current	0
Future (foregone)	0
Amount of railroad taxes "lost"	
Current	\$8,884
Future	
<u>Other Public Costs</u> ¹	
Increase in unemployment benefits	0
<hr/> ENERGY IMPACTS <hr/>	
<u>Net change in fuel consumption (gallons per year)</u>	
Current	2,654
Future	3,176

TABLE 10 (continued)

	<u>ANNUAL IMPACT</u> <u>Abandonment</u>
ENVIRONMENTAL IMPACTS	
<u>Net change in emissions (pounds per year)</u>	
<u>Current</u>	
HC	63
NO _x	982
CO	656
Particulates	53
SO _x	27
<u>Future</u>	
HC	75
NO _x	1,175
CO	785
Particulates	64
SO _x	32
<u>Impact on Air Quality</u>	Minimal
COMMUNITY IMPACTS	
<u>Change in Population</u>	0
<u>Change in Development Potential</u>	Some

¹All dollars are 1977 constant dollars.

- Environmental Impacts

- Emissions. The table shows some increases of fuel emissions resulting from the increased fuel consumption. These are calculated by applying average emission factors for trucks and locomotives to their respective fuel consumption levels and taking the difference. The resulting emission levels are minor and would have a minimal impact on the region's air quality.

- Community Impacts

- Change in Population. No change is forecast in the level of employment. Hence, no change in population is forecast as a result of the abandonment.
- Change in Development Potential. Abandonment of the rail segment would have no impact on the area's population, but it would have some adverse effects on its development potential. Officials in Alice expressed concern that the growth being experienced in that city, and particularly in the Industrial Park, would be jeopardized by an abandonment. They doubt whether the alternative Tex-Mex line would provide enough appeal to potential investors. While these concerns are legitimate, continued service to Alice via the Tex-Mex line should help to minimize any adverse effects.

The oil and gas industry in the area has used rail to bring in building materials and equipment. Even though the products are piped out, further construction of processing facilities might

require rail. However, it appears the industry has peaked and it is unlikely that more plant capacity will be warranted.

The area south of Alice would suffer some adverse change in its development potential. Section IV showed that area to be declining and with little development potential. Abandonment, and more importantly the move to the parallel Mo-Pac line, would serve to isolate the region even more.

The impacts of abandonment outlined above assume continued rail service to the Alice area by the Tex-Mex. If an abandonment were not conditioned upon continuation of service, the impacts would be considerably more severe. The six rail users located in the Alice Industrial Park just north of Alice currently account for 72% of the total traffic on the line. Four of these firms--Halliburton Services, the Dowell Division of the Dow Chemical Company, the Western Company of North America, and the Hammock Distributing Company--are dependent on rail service for transporting bulk commodities. These four firms are among the principal employers in the area, accounting for approximately 230 employees. Abandonment of the rail line without alternative service provided by the Tex-Mex would represent a significant burden to these firms as a result of sharply higher transportation costs. Trucking oil field supplies and beer--the principal commodities moved over the line by the firms--is considered to be considerably more costly. It appears that at least some of these firms would be forced to relocate or close down altogether, with the resulting loss of employment, investment and taxes. Transportation costs would increase and energy consumption and fuel emissions would rise.

Most of the industries located in the Alice Industrial Park are rail related. The Alice area owes its recent growth to the industrial development of the Park, and it appears that the future development potential would be adversely affected by the loss of rail service.

In summary, the principal rail users are located in the Alice area where alternative rail service is available. The public impacts of abandoning the line south of Alice are relatively limited whereas, significant impacts would result if the Alice users were to lose rail service. Thus, abandonment of the line south of Alice should be conditioned upon continuation of rail service to the Alice users.

VII. EVALUATION OF METHODS OF ACHIEVING ECONOMIES IN THE COST OF RAIL SERVICE OPERATIONS ON LINES ON WHICH SERVICE WILL BE CONTINUED

Of the various methods for achieving economies--i.e., consolidation, pooling, and joint use or operation of facilities--the most obvious possibility, assuming abandonment of adjacent Valley segments, is the transfer of the segment to the Texas Mexican. The pending abandonment proposal for the Valley Lines itself contains a joint use arrangement insofar as bridge traffic is affected. However, the net result of granting the pending proposal would be to isolate the Alice-Falfurrias segment from the remainder of the SP system. A logical alternative in order to achieve economies would be transfer of the segment to Tex-Mex so that rail operations would continue at least in the Alice area.

SP has not proposed trackage rights over Tex-Mex in order to accommodate Alice-Falfurrias, even though it does propose to rebuild the vital Tex-Mex link between Alice-Robstown at its own expense (for the benefit of bridge traffic). At a minimum, in the event of Alice-Falfurrias abandonment, transfer of Alice trackage to Tex-Mex would provide continued rail access to Alice users and to the industrial park.

VIII. COMPETITIVE OR OTHER EFFECTS ON OR BY PROFITABLE RAILROADS

a. Competition

Competition between the SP and Mo-Pac is not likely to change since the SP would still offer service through its trackage rights over Mo-Pac.

The competitive position of Tex-Mex is likely to be improved. If the Alice-Falfurrias segment is abandoned, the interchange point between Tex-Mex and SP (now at Alice) will be moved to Robstown. The SP expects to invest approximately \$1 million for this interchange and improvement of the Tex-Mex track between Robstown and Alice (Finance Docket No. 28078). These improvements are likely to benefit the Tex-Mex; rail users' service should also generally improve.

b. Profitability

Since some rail traffic would be transferred to other railroads-- Alice traffic to the Tex-Mex and bridge traffic to the Mo-Pac through trackage rights--it would be expected that these railroads would be the beneficiaries of some increased revenues. In addition, profitability of the SP might be improved in the long run by avoidance of large rehabilitation expenditures associated with the Valley line along with retention of major portions of presently profitable traffic. The improvement in SP profitability would be somewhat diminished, however, by an increase in trackage rights payments to Mo-Pac if all four Valley Line segments were abandoned.



IX. CONSIDERATIONS RELATING TO RAIL BANKING

Rail banking is not considered a viable alternative for the Alice-Falfurrias segment because it would not be warranted by the economic potential of the immediate area. Development on a significant scale of mining or other rail-reliant activities is not anticipated in the future.

X. DESCRIPTION OF THE ALTERNATIVES EVALUATED TOGETHER WITH AN ANALYSIS OF THE RELATIVE ADVANTAGES, DISADVANTAGES, AND COSTS ASSOCIATED WITH EACH ALTERNATIVE

a. Description of Alternatives

No alternatives to abandonment of service south of Alice appear practically reasonable. In the absence of bridge traffic, continuation subsidy would require an amount estimated to range between \$250,000 to nearly \$700,000, and the benefits to be realized appear minimal.

Retention of service along the portion of the segment serving users in the Alice Industrial Park would avoid the most significant impacts of abandonment without requiring a large expenditure of public funds. It would require conveyance of trackage by the SP to the Tex-Mex and assumption of service on that segment by the latter railroad.

b. Movement of Existing and Future Traffic by Rail and Alternative Modes

At present, north-south SP rail traffic is routed over the Alice-Falfurrias segment. East-west traffic is interchanged with Tex-Mex at Alice. If service continues, traffic is expected to continue to be routed in the same manner.

If the proposed Valley abandonment takes place the interchange with Tex-Mex will take place at Robstown. Alice would still receive rail service.

Truck traffic serving the communities on the line moves over U.S. Highway 281, which runs parallel to the rail segment between Alice and Falfurrias. In the future truck traffic is expected to move in the same fashion.

c. Identification of Costs Associated with Alternatives

Except for possible minimal costs associated with seeking to ensure that any abandonment of the Alice-Falfurrias rail segment is conditioned upon continued service to Alice, the only reasonable alternative to total abandonment (as discussed in X.a. above) would have no associated public costs.

XI. CONCLUSION OF THE STATE AS TO WHETHER THE ALTERNATIVE SHOULD
BE SELECTED FOR FEDERAL OR STATE ASSISTANCE

This segment is not being considered further for inclusion in the Certified Program of Projects.

Abandonment of the segment south of Alice does not appear to cause significant impacts in the region. Accordingly a service continuation alternative has not been selected.

The impacts of abandonment would be much more severe if continued service is not extended to rail users in the Alice area by the Tex-Mex. It is recommended that the Railroad Commission of Texas seek to insure that an SP abandonment of the Alice-Falfurrias segment be made contingent upon the SP transferring the trackage in the Alice area to the Tex-Mex. In addition, any interchange arrangements should be monitored to insure that Alice shippers receive satisfactory service from the SP and Tex-Mex. By pursuing this strategy, the Commission can help to avoid the most severe impacts of abandonment without having to commit major outlays of public funds.

XII. STATEMENT OF THE STATE'S FUTURE RULE ON EXPIRATION OF FEDERAL ASSISTANCE

No long-term assistance is contemplated.

Segment Analysis
SAN BENITO-RIO HONDO

RAILROAD COMMISSION OF TEXAS

with

Technical Assistance

of

Arthur D. Little, Inc.

October 1978

Revised January 1979

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PART A. SUMMARY

1. Introduction

The Missouri-Pacific Railroad Company (Mo-Pac) has announced that the 9-mile rail spur running from San Benito to Rio Hondo in Cameron County, Texas, is potentially subject to an abandonment application. [This is a Category 2 designation in accordance with 49 CFR 1121.20(b)(2).] An abandonment would leave the town of Rio Hondo without rail service; San Benito would continue to be served by Mo-Pac on its line between Harlingen and Brownsville. There are no other affected communities on this segment, which is located entirely within Cameron County.

2. Traffic Characteristics

All of the rail users on the San Benito-Rio Hondo segment are located in Rio Hondo on the last 2 miles of the segment. There is no local or bridge traffic. Rail service is provided on an "on-call" basis out of Harlingen. The condition of the road bed appears to be quite good.

Traffic on the spur is relatively light and seasonal. In 1977, 124 cars, carrying nearly 9,000 tons, moved on the segment. Most of the tonnage moved consisted of dry or liquid fertilizer. The 1977 traffic volume represents a significant decline from 1973 when 372 cars, hauling 33,000 tons, moved on the line. Three-fourths of total carloads in 1973 were grain shipments, whereas in 1977 no grain was transported. This change is the result of fluctuations in grain production and storage locally. A local grain storage facility is expected to be relocated. Thus, no grain shipments are anticipated in the future. The traffic in fertilizer and farm implements is expected to continue in the future at roughly the present level.¹

¹The fertilizer firm has recently indicated that 1978 shipments were double the 1977 level and that rail traffic is expected to continue to increase (at a public meeting on January 17, 1979).

3. Economic Characteristics

a. Economic Activity

The rail segment is located in Cameron County, which had a 1975 population of about 170,000. This county is one of the fastest growing areas of Texas. Agriculture has been, and currently is, the predominant economic sector in the county. Light manufacturing and service industries have grown rapidly in recent years, in turn, encouraging regional growth. Growth has occurred predominantly in the corridor including the communities of Harlingen, San Benito and Brownsville, but not Rio Hondo. Currently, Rio Hondo remains at the periphery of this growth corridor.

b. Rail Users

There are currently three firms using the rail segment. Rio Hondo Co-op, Rio Hondo Implement, Inc., and Tide, Inc. All three firms process or sell agricultural products. The Rio Hondo Co-op stores and ships grain, gins cotton and sells fertilizer and miscellaneous farm equipment. The Rio Hondo Implement, Inc., is the local John Deere distributor, and Tide, Inc., operates a regional fertilizer mixing and distribution facility.

None of the rail users plans to increase their use of rail in the future significantly, if at all.¹ The Rio Hondo Co-op is phasing out its grain operation. Thus, future rail use is likely to remain at its present level or decline slightly.

c. Importance of Rail to Users

None of the present rail users is totally dependent on rail service. Only the Rio Hondo Co-op's grain operation is dependent on rail service and this is now being relocated to new facilities on the SP line. There are sufficient alternatives to Mo-Pac rail service so that abandonment would not

¹Tide, Inc. recently indicated in a public meeting on January 17, 1979 that the firm now expects rail use to increase significantly.

substantially affect the community at this time. Alternatives include: trucking to the SP rail line 4 miles south of Rio Hondo; trucking to rail heads in San Benito or Harlingen; and nearby ports on the Gulf Intercoastal Waterway.

4. Impacts of Abandonment

The short-term impacts of the potential abandonment are negligible.¹ No job opportunities or future investment would be foregone. Transportation costs to rail users would increase slightly, but the environmental and energy impacts of a potential abandonment are negligible. The long-term impact of abandonment might be slower future industrial development of Rio Hondo since it would be more difficult to attract new industry. Thus, abandonment could accelerate Rio Hondo's transition from an agricultural to a suburban community with little or no economic base of its own.

5. Alternatives to Abandonment

In view of the lack of significant public impacts, the currently marginal profitability of the rail line and the fair condition of the line, no alternatives to abandonment are judged to merit further consideration.²

6. Inclusion in the Certified Program of Projects

This segment is not recommended for inclusion in the Certified Program of Projects (CPP).

¹The information introduced by Tide, Inc. at a recent public meeting indicates that abandonment could result in foregone investment and the loss of several job opportunities.

²The indication that rail traffic may increase requires that the traffic on the line be monitored and that the impacts be re-evaluated during the annual update. If the impacts are significant, alternatives will be considered.



PART B. DETAILED ANALYSIS

1. Description of the Line and Proposed Action

The Missouri Pacific Railroad Company (Mo-Pac) has given notice that the rail line between San Benito and Rio Hondo is potentially subject to abandonment. [This is a Category 2 designation in accordance with 49 CFR 1121.20(b)(2).] An abandonment would leave the town of Rio Hondo without rail service, whereas, San Benito would continue to be served by Mo-Pac's Harlingen to Brownsville line. The Southern Pacific Transportation Company's (SP's) Harlingen to Brownsville line intersects the San Benito-Rio Hondo segment about 4 miles south of Rio Hondo but, currently, there are no switching facilities.

The 9-mile branch line is located entirely within Cameron County. Communities along the line are San Benito and Rio Hondo. Figure 1 shows the segment in relation to the Texas rail system. Figure 2 shows the location of the segment under consideration within Cameron County and in relation to the local highway system.

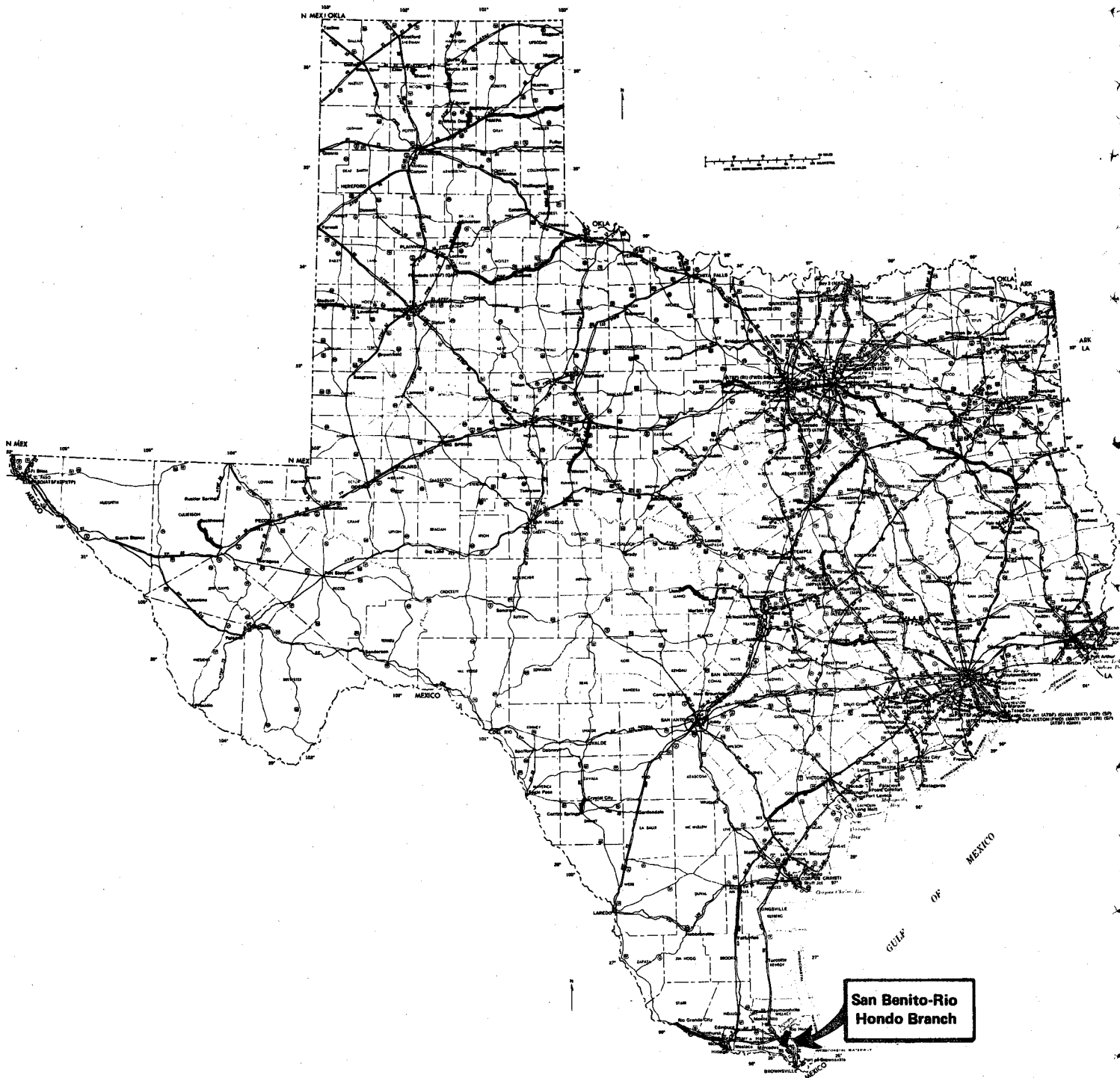


FIGURE 1 LOCATION OF THE SAN BENITO-RIO HONDO LINE IN RELATION TO THE TEXAS RAIL SYSTEM

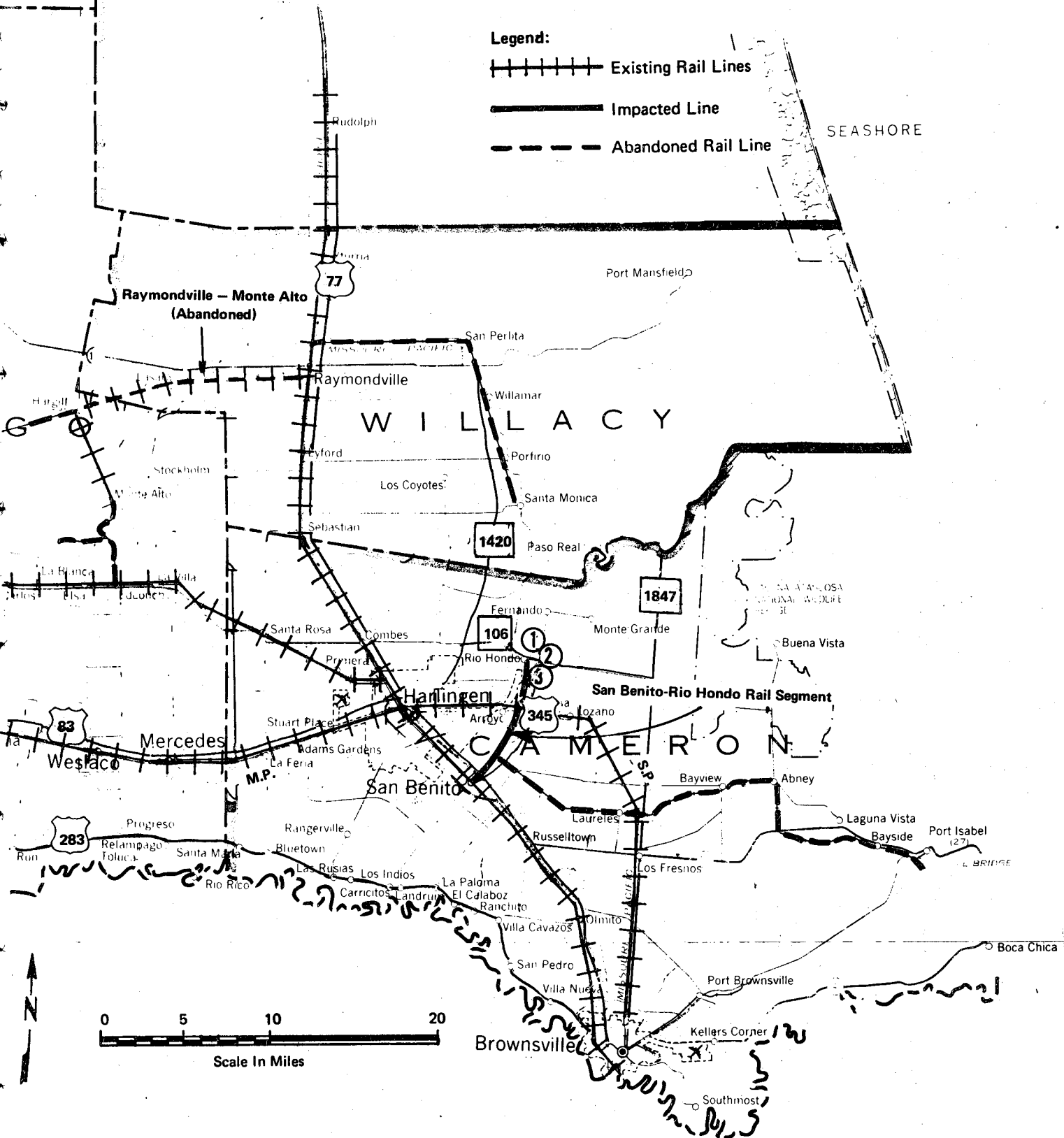
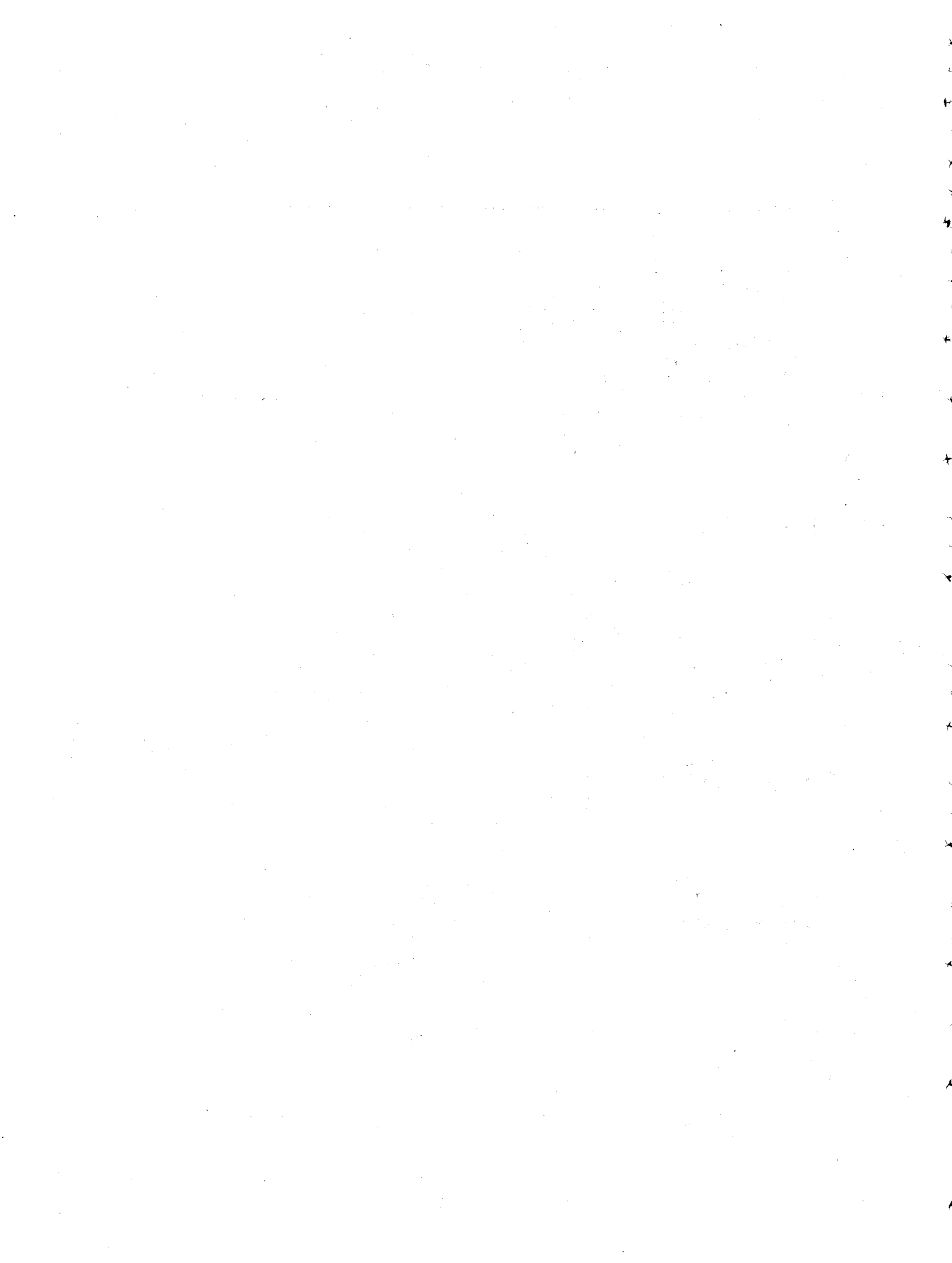


FIGURE 2 LOCATION OF SAN BENITO-RIO HONDO LINE IN CAMERON COUNTY



I. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS ON THE SAN BENITO-RIO HONDO SEGMENT

a. Freight Traffic

Table 1 summarizes freight traffic on the San Benito-Rio Hondo segment. All originating and terminating (O&T) rail traffic is related to agricultural crop production. Receipts of fertilizer have become increasingly important and represented 81% of traffic in 1977 compared with 26% in 1973. Grain shipments declined from 250 carloads (67%) of total traffic in 1973 to none in 1977. The balance of traffic has been accounted for by farm implements. The changing composition of traffic over the segment is the result of stable farm implement and fertilizer shipments and a phasing out of the only grain operation on the segment.

b. Shipper Characteristics

The principal rail users that would lose service should the San Benito-Rio Hondo line be abandoned are:

- Rio Hondo Co-op - a farmers' cooperative operating a grain elevator and cotton gin, selling fertilizer and farm equipment parts. This co-op is the largest single employer in Rio Hondo (40 employees) and is of major importance to the economy of Rio Hondo. The firm indicated in an interview that it plans within 3-4 years to relocate its grain operation to a location on the SP Harlingen-Brownsville main line.
- Rio Hondo Implement Company - the only farm implement dealer located in Rio Hondo. Interviews indicate that for this firm located on the segment, rail use is more a convenience than a necessity. The firm employs 21 persons.

- Tide Chemicals, Inc. - a fertilizer company operating a regional mixing and distribution facility at the end of the Mo-Pac rail line in Rio Hondo. Tide employs eight persons and is the only firm in Rio Hondo utilizing three modes of transportation--rail, truck and barge transportation. All processed fertilizer is distributed by truck; 33% of raw materials are received by rail. Interviews indicate that other transportation modes could be used to move the goods presently hauled by rail.¹

Table 2 shows employment, annual payroll and local purchases for the major rail users.

In addition to these companies, there are probably several other firms that use the rail line from time to time. These businesses would probably not be significantly affected by abandonment of the rail segment.

¹Recent information (provided at a public meeting on Jan. 17, 1979) indicates that the firm's use has increased more than had been anticipated at the time of the field interviews and is expected to continue to increase. Tide's 1978 traffic was 148 carloads and the firm anticipates 1980 rail use will be 182 carloads. This could be as high as 439 carloads if investments in new facilities are made. The firm claims that the investment would be foregone as long as the threat of an abandonment remains.

TABLE 1
CARLOAD RAIL TRAFFIC ON THE SAN BENITO-RIO HONDO SEGMENT,
1973, 1977, 1980

<u>Code</u> ¹	<u>Rail User</u>	<u>Station Location</u>	<u>Commodity</u>	<u>Originating</u>			<u>Terminating</u>			<u>Total Traffic</u>			<u>ADL Estimate</u>
				<u>1973</u>	<u>1977</u>	<u>1980</u> ³	<u>1973</u>	<u>1977</u>	<u>1980</u> ³	<u>1973</u>	<u>1977</u>	<u>1980</u> ²	<u>1980</u> ²
1	Tide Inc.	Rio Hondo	liquid fertilizer	30	0	70	10	20	47	40	20	117	117
			dry fertilizer	0	0	0	40	70	65	40	70	65	65
2	Rio Hondo Implement Co.	Rio Hondo	farm implements	0	0	0	24	24	24	24	24	24	24
3	Rio Hondo Co-operative ²	Rio Hondo	grains	250	0	0	0	0	0	250	0	0	0
			dry fertilizer	0	0	—	18	10	10	18	10	10	10
<u>Total</u>				280	0	70	92	124	132	372	124	216	216

¹Keyed to location on Figure 2.

²1977 was a very poor year due to weather conditions; 1973 was an average year.

³At a recent public meeting, Tide, Inc. introduced a statement indicating that their latest projections show 1980 traffic will be 182 carloads. If investment in new processes is made, this traffic could be as high as 939 carloads. It was also noted that 1978 traffic was 148 carloads.

Source: Interviews with local rail users, Arthur D. Little, Inc. (ADL).

TABLE 2
CHARACTERISTICS OF RAIL USERS LOCATED
ON THE SAN BENITO-RIO HONDO SEGMENT

<u>Rail User</u>	<u>Full Time Employees</u>	<u>Annual Payroll</u>	<u>Annual Local Purchases</u>
Rio Hondo Co-op	40	\$ 473,000	\$ 5,000
Rio Hondo Implement Co.	21	426,990	25,000
Tide Chemical, Inc.	<u>8</u>	<u>185,000</u>	<u>52,000</u>
Total	69	\$1,084,990	\$ 82,000

Source: Interviews with local rail users, Arthur D. Little, Inc., 1978.

II. REVENUES DERIVED FROM RAIL FREIGHT SERVICES AND THE COST OF PROVIDING THESE SERVICES

a. Revenues

The San Benito-Rio Hondo line carried 124 carloads of traffic in 1977 with an estimated tonnage of 8,838. Revenues are estimated at \$91,031, as calculated in the Revenue and Expense Estimation Sheet.

b. Expenses

Branch line average maintenance of way expenditures are estimated to be \$1,701 per mile, thus totalling \$15,649. Maintenance of equipment totals \$13,743. Estimated transportation expenses add up to \$34,528 on the basis of \$2,416 on-branch and \$32,112 off-branch costs. The operating expense subtotal of \$63,920 represents a minimum avoidable cost of operation. Taxes total \$13,941 and equipment rentals and other expenses bring the grand total of expenses to \$87,155.

c. Operating Results and Breakeven

A comparison of revenues with expenses indicates a net operating profit of \$3,876 for 1977. A rough approximation of breakeven traffic indicates that breakeven operations would be expected at about 100-110 annual carloads, or only 15% fewer carloads than present traffic levels. Mo-Pac has not indicated the number of carloads its internal records show to have moved over the line.

d. Available Data Sources

Systemwide Mo-Pac R-1 (all operations) and systemwide R-6 (designated branch lines) data were available. Carload traffic was based on field interviews. No separate segment R-6 worksheet was available. All other data were derived from field surveys, questionnaires or sources as noted.

REVENUE AND EXPENSE ESTIMATION SHEET

Line: San Benito-Rio Hondo

Railroad: Mo-Pac

Miles: 9.20

1977 Carloads & Tonnage:

124 cars per year (or 13 cars/mile).
Tonnage: 8,838, based on field survey.

A. Revenues: \$ 91,031

Basis of estimate: System average revenue per net ton mile applied to estimated avg. haul
 [8,838 x 500 x \$.0206 = \$91,031].

Description of O&T or Bridge Traffic; Assumptions. Fertilizer materials are the principal commodity on the line. Origins for these materials include points in Missouri, Texas and Florida. Assumptions include 500 mile haul & system avg. revenue per net ton mile (@ \$.0206/net ton mile).

B. Expenses:

1. Maintenance of way \$ 15,649

Basis: Branch line system avg. m/w expense is \$1,701/mi., per R-6. Rehabilitation expense not reported for this system.
 [\$1,701 x 9.2 = \$15,649].

2. Maintenance of equipment \$ 13,743

Basis: System avg. maintenance of equipment expense per net ton mile is \$0.00311, applied to estimated net ton miles.
 [\$.00311 x 500 x 8,838 = \$13,743].

3. Transportation
 On-branch \$ 2,416
 Off-branch 32,112

Basis: Estimated 26 trains per yr. (4.8 loaded cars/train).
On-branch: Cost per locomotive unit mile - \$5.05 [\$5.05 x 26 x (2 x 9.2) = \$2,416].
Off-branch: Based on system transportation cost per net ton mile (.0074, Per R-1),
 [\$.0074 x 491 x 8,838 = \$32,112].

\$ 34,528

Operating Expense \$ 63,920
 Subtotal:¹

4. Estimated Taxes:
 Payroll \$ 5,216

Basis: Systemwide labor accounts for 48% of operating expenses. Payroll taxes (FICA, Railroad retirement, etc.) add 17% to labor [\$63,920 x .48 x .17 = \$5,216].

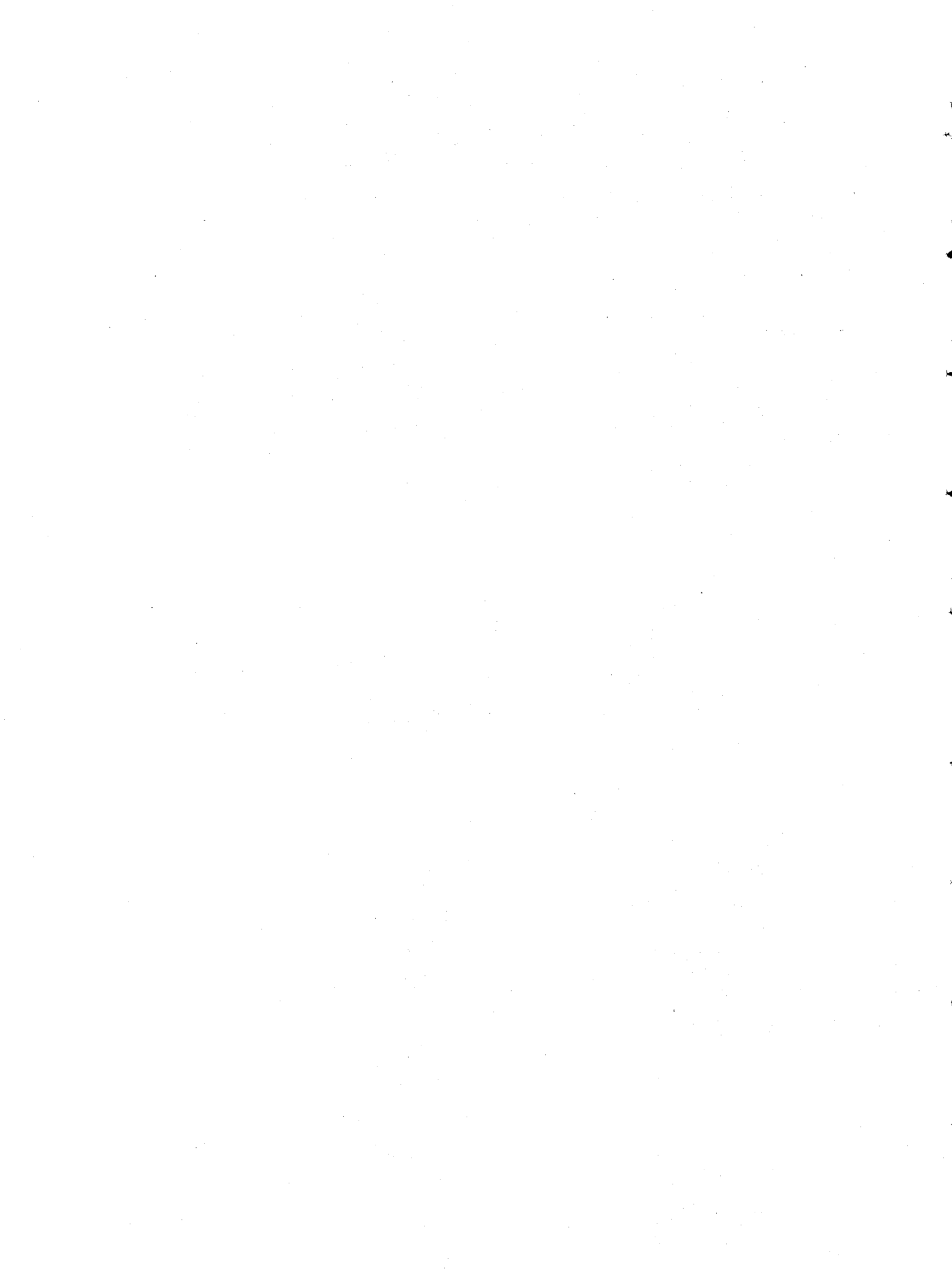
Other-than-federal \$ 8,725

Basis: Avg. other-than-federal tax expense in Texas is \$948.33/mi. of road
 [\$948.33 x 9.2 = \$8,725].

Tax Subtotal \$ 13,941

¹ Includes an estimated \$1,718 Health and Welfare contribution on the basis of 5.6% of labor costs.

5. Equipment rentals	\$ 5,059	<u>Basis:</u> System avg. equipment expense per loaded car mile, per R-1 = \$0.0816. [\$.0816 x 500 x 124 = \$5,059].
6. Other expenses	\$ 3,325	<u>Basis:</u> Pro-rate of other avoidable expenses, per R-6, on a mileage basis. [(9.2/438.29) x \$158,412 = \$3,325].
7. Management Fee	\$ 910	<u>Basis:</u> 1% of gross revenue
EXPENSE TOTAL:	\$ 87,155	
NET RESULT:	<u>\$ 3,876</u>	



III. REVIEW OF CONDITION OF THE RAIL PLANT, EQUIPMENT AND FACILITIES

a. History of the Line

The track was originally laid in 1910 by the Missouri Pacific Railroad Company, which still owns and operates the line. In the early 1970's, extensive repair and maintenance work was performed on a substantial section of track.

b. Description of the Layout of the Branch Line Stations

The rail line roughly parallels State Highway 345 from the intersection with the main Mo-Pac line in San Benito to the end of the line in Rio Hondo. There are no stations, depots, or operational loading platforms along the segment. Operating rail sidings are at the Tide Chemical Company's facility and at the Rio Hondo Co-op.

c. Physical Characteristics

The condition of the San Benito-Rio Hondo rail line can best be characterized if the northern and the southern segments are considered separately. The northern segment extends from Rio Hondo to the SP crossing 4 miles south of Rio Hondo. The southern portion runs from the SP intersection to San Benito where the Mo-Pac rail spur joins the main line.

The northern section is heavily ballasted and, based on spot inspection, appears to be in good condition. The line segment was rehabilitated in the early 1970's and ballast now covers the ties, plates, and rail spikes. Where visible, ties and rail appear to be in good condition, with approximately 21 ties per 39-foot section of rail. Approximately 10% of these ties are in poor condition; another 10% appear to be new. Few spikes are loose or raised. The rail line generally has good alignment and surface. The few small trestles that do exist appear to be in

good-to-excellent condition and show signs of recent work. Overall, this segment of the rail line appears to be in good-to-excellent condition.

On the basis of a spot inspection, the southern section of the Mo-Pac rail line appears to be in poor-to-fair condition. It is not quite as heavily ballasted as the northern section. Approximately 10-15% of the rail ties are in poor-to-fair condition, with 4-6% of the rail spikes being loose or raised. There are approximately 18-20 rail ties per 39-foot section of rail. The alignment on the southern section worsens at the State Highway 345 crossing.

IV. ECONOMIC AND OPERATIONAL ANALYSIS OF PRESENT AND FUTURE FREIGHT SERVICE NEEDS

a. Economic Overview

1. Definition of the Impact Area

The San Benito-Rio Hondo segment of the Mo-Pac line is located entirely within Cameron County which is the southernmost county in Texas (see Figure 3). The major cities of the county are Brownsville, Harlingen, and San Benito. The possible abandonment would most affect Rio Hondo since the community would be left without alternative rail service. San Benito would not be adversely affected because it is located on the main Mo-Pac rail line from Harlingen to Brownsville.

2. Overview of Trends and Projections in the McAllen-Pharr-Edinburg BEA Area

Cameron County is located in the McAllen-Pharr-Edinburg BEA Area (see Figure 3). This BEA Area includes Starr, Willacy, Cameron and Hidalgo Counties. Overall trends in the BEA Area have only general implications for traffic on this segment, but it is the smallest area for which long-term economic forecasts have been made consistent with State and National forecasts.

The McAllen-Pharr-Edinburg BEA Area had a population of 367,000 in 1966 which is expected to drop to 363,000 in 1980. The population of the Area is projected to grow slowly between 1980 and 2000.

Total employment in the McAllen-Pharr-Edinburg BEA Area totaled 99,000 in 1950; by 1966, it reached 106,000--an increase of 7%. This rate of growth is significantly less than the nearly 38% experienced by the entire State during the same time period. Between 1966 and 1980, employment in the BEA Area is expected to grow about one-fourth as fast as the State's--by 6.7%, compared with the State's 25% rate (see Table 3). Looking ahead to the year

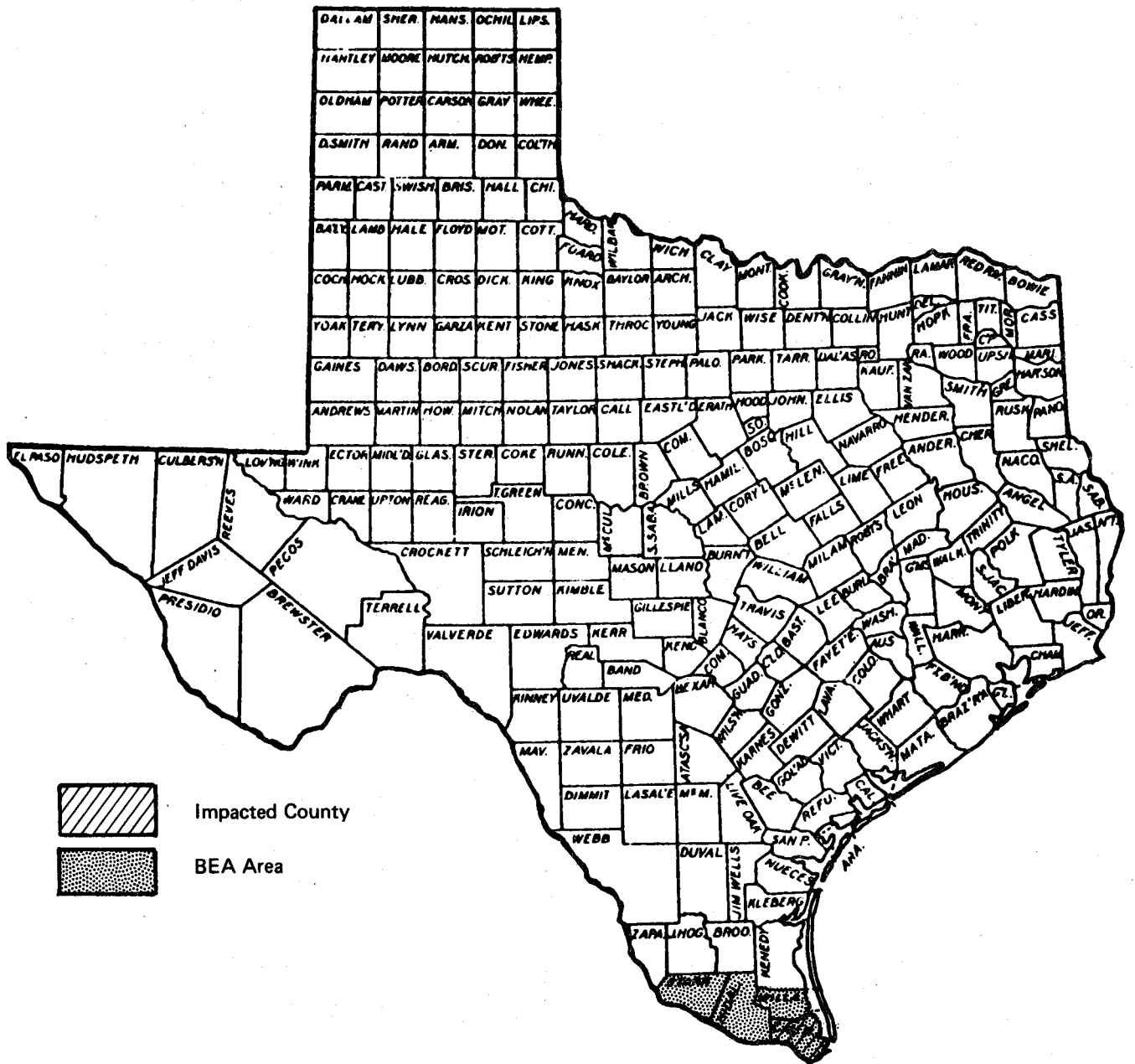


FIGURE 3 LOCATION OF CAMERON COUNTY WITHIN THE STATE OF TEXAS AND THE McALLEN-PHARR-EDINBURG BEA AREA

TABLE 3
COMPARISON OF THE ECONOMIC STRUCTURE AND GROWTH TRENDS
IN THE LOWER RIO GRANDE VALLEY REGION AND THE STATE OF TEXAS
1966-2000

	<u>Percentage Distribution of Employment</u>						<u>Annual Rate of Growth</u>			
	<u>1966</u>		<u>1980</u>		<u>2000</u>		<u>1966-1980</u>		<u>1980-2000</u>	
	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>
Services	25.5	27.9	29.6	31.4	32.8	34.1	1.5	2.5	1.1	2.0
Manufacturing	10.4	17.7	10.4	18.6	10.0	19.5	0.4	2.0	0.5	1.8
Wholesale and Retail Trade	25.2	19.8	26.3	20.2	26.3	20.2	0.8	1.7	0.6	1.5
Construction	4.9	7.3	6.1	7.3	6.4	7.2	2.0	1.5	0.8	1.5
Transportation and Utilities	5.3	6.7	5.3	6.5	5.2	6.2	0.4	1.3	0.5	1.3
Government	9.2	11.3	9.5	10.7	10.6	9.7	0.7	1.2	1.1	1.0
Mining	1.2	2.8	1.0	1.9	0.8	1.2	-1.2	-1.1	-0.4	-0.8
Agriculture	<u>18.2</u>	<u>6.5</u>	<u>11.8</u>	<u>3.4</u>	<u>7.9</u>	<u>1.9</u>	-2.7	-2.1	-1.4	-1.2
All Categories	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.5	1.6	0.6	1.5

SOURCE: U.S. Department of Commerce and Agriculture. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

2000, BEA Area employment is expected to increase by 13.4%--reaching over 128,000 workers. This rate of growth is substantially lower than the 36% growth rate expected for the entire State of Texas.

Part of the reason for the slower rate of growth in employment is the economic structure of the McAllen-Pharr-Edinburg BEA Area. The Area's structure has a greater proportion of employment in the State's slower growing sectors, such as agriculture and government (see Table 3) and, conversely, has a lower proportion of employment in faster growing sectors, especially manufacturing (10.4% for the Area, compared with 18.6% for the State). Furthermore, the rate of growth in manufacturing has been substantially lower in the BEA Area as compared with the State. Agricultural employment in the BEA Area declined more rapidly from 1966 to 1980 than in the entire State (2.7% compared with 2.1%). While the rates of decrease are expected to lessen, the BEA Area's agricultural employment is expected to continue to decline faster than the State, through 2000 (1.4% versus 1.2%). It is noteworthy that the two industries in which employment is declining (agriculture and mining) are concentrated in the rural parts of the McAllen-Pharr-Edinburg BEA Area such as the Rio Hondo area. Therefore, it can be expected that the general decline in agricultural employment will be reflected in the area where the line in question is located. However, the decline in agricultural employment is largely due to increased mechanization of agricultural operations and does not necessarily mean a long-term decrease in agricultural production.

3. Demographic Characteristics and Trends

Cameron County had a population of 176,931 in 1975. This is approximately 45% of the population in the McAllen-Pharr-Edinburg BEA Area and 1.4% of the State's population. The population of both Cameron County and the

McAllen-Pharr-Edinburg BEA Area have a low median income level. Almost 50% of the population has an income below the poverty level while only 8% earn in excess of \$15,000 per year or more. This income distribution is typical of the counties on the Mexican-American border.

Table 4 presents the historical population growth of Cameron County and the communities of San Benito and Rio Hondo. Rapid growth was experienced between 1920-1930 and 1970-1975. Generally, the County population has continually increased, except for the 1960's when it declined. The communities of San Benito and Rio Hondo have also increased in population during this time period but at a rate lower than the County. Their share of County population has, therefore, declined.

Population forecasts indicate that Cameron County should continue to grow but at a slower rate than that of the entire State. Population growth trends are presented in Table 5.

The increasing population in Cameron County suggests that rail traffic may be generated by construction, manufacturing and other economic sectors that are related to urbanization and growth but not necessarily in the area served by San Benito-Rio Hondo rail spur.

It is also important to note that the County experiences large ebbs and flows of population as the result of large numbers of winter tourists and seasonal migrant agricultural workers.

4. Economic Characteristics and Trends

Cameron County is largely an agricultural county. Over 10% of the work-force is employed directly in agriculture while an additional 5% are employed in related manufacturing (see Table 6). Key agricultural products include sorghums, citrus crops, and cotton. Of these, only sorghums are usually transported by rail.

TABLE 4
POPULATION OF CAMERON COUNTY
1970-1974

<u>Year</u>	<u>Total</u>	<u>San Benito</u>	<u>% of Total</u>	<u>Rio Hondo</u>	<u>% of Total</u>
1900	16,100	--	--	--	--
1910	27,200	--	--	--	--
1920	36,700	5,100	13.9	--	--
1930	77,500	10,700	13.8	--	--
1940	83,200	9,500	11.4	--	--
1950	125,200	13,300	10.6	--	--
1960	151,100	16,400	10.9	--	--
1970	140,400	15,200	10.8	1,200	0.9
1975	176,931	17,436	9.9	1,289	.7

SOURCE: Texas Almanac, 1978-1979. A. H. Belo Corporation, Dallas, Texas, 1977. (Data are from the U.S. Census, with the exception of data for 1975, which are estimates.)

TABLE 5

POPULATION TRENDS AND FORECASTS IN CAMERON
COUNTY, McALLEN-PHARR-EDINBURG BEA AREA AND
THE STATE OF TEXAS

1960-2000

<u>Area</u>	<u>1960-1970</u>	<u>1970-1980</u>	<u>1980-1990</u>	<u>1990-2000</u>
Cameron County ¹	-7.1%	19.2%	8.4%	8.4%
BEA Area ²	4.7%	- .9%	3.6%	5.9%
State of Texas ¹	16.9%	19.7%	16.4%	17.2%

¹Population Projections, by Texas Water Development Board (Texas Department of Water Resources), 1976.

²U.S. Department of Commerce and Agriculture. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

TABLE 6

EMPLOYMENT IN CAMERON COUNTY, 1970 AND 1975

	<u>1970</u>	<u>1975</u>
Mining	74	80
Contract Construction	875	2,066
Manufacturing	4,978	8,839
Public Utilities	1,092	2,312
Wholesale Trade	2,353	3,375
Retail Trade	7,328	10,709
Finance, Insurance, Real Estate	1,325	2,295
Services	4,402	5,595
Other	<u>168</u>	<u>900</u>
Subtotal ¹	24,405	36,171
Agriculture ²	<u>4,730</u>	<u>4,730</u>
Grand Total	29,135	40,901

¹U.S. Department of Commerce, Bureau of the Census. County Business Patterns. Texas. CBP-70-45, 1971 and CBP-75-45, 1976, Washington D.C. (Excludes self-employed persons, farm employees, domestic workers, and railroad employees. Data are reported for county of employment.)

²U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics. Texas. PC(1)-C45 Tex., April 1972. (Data on agricultural employment are not available for 1975 from the Census; therefore, the 1970 estimate is used. With generally declining agricultural employment, it is likely that this somewhat overstates agricultural employment in 1975.)

In the period 1970-1975, both manufacturing and retail trade increased significantly. Generally, the early 1970's were a time of expansion in all sectors of the Cameron County economy.

Despite increased employment in the County, a high unemployment rate has persisted. In 1976, the County unemployment rate exceeded 11%--almost twice the State's average (see Table 7). The effect of this high unemployment rate is seen in the County's share of State employment and unemployment. The County accounts for 1.2% of State employment, but 2.5% of the State's unemployment.

5. Agricultural Characteristics and Trends

The key agricultural products in Cameron County are sorghums, citrus crops, and cotton. Corn, hay, sugar cane and various vegetables are also grown in quantity, but are not as important in terms of total crop volume. Table 8 indicates field crop production data for 1970 and 1976.

In recent years, agricultural production has been stable. Some increases in watermelon and grapefruit acreage can be noted while orange acreage has been stable. Of all the agricultural crops produced in the area, only sorghums and corn are usually transported by rail. County agricultural officials expect cotton acreage to decrease due to poor selling prices, but sorghum and corn acreage could increase substantially. This could result in a higher demand for railcars within the County as a whole, but not necessarily involving the rail segment in question.

Livestock is not an important activity in the Cameron County economy. Cattle breeding has decreased over the past few years due to poor market prices; in 1976, 60,000 cattle were marketed from feedlots in Cameron County. Hogs are also raised in the County to a small degree; production has been stable in recent years.

TABLE 7
EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
IN THE CAMERON COUNTY AREA AND IN THE STATE OF TEXAS
1976

<u>County</u>	<u>Labor Force</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	<u>Total Employment</u>
Cameron	72,351	8,044	11.1	64,307
State of Texas	5,535,000	318,000	5.7	5,217,000
Percent Cameron County of the State	1.3	2.5		1.2

Note: Total employment includes resident wage and salary workers, self-employed, unpaid family workers and domestics in private households, agricultural workers and workers involved in labor-management disputes.

Source: Texas Employment Commission, Labor Force Estimates for Texas Counties, Annual Average 1976 (Revised February 7, 1977)
 Austin, Texas.

TABLE 8

HARVESTED ACREAGE CROPS IN CAMERON COUNTY, 1970-1976

	<u>1970</u> ¹	<u>1976</u> ²
Sorghums	112,100	124,500
Upland Cotton	102,400	105,500
Vegetables	9,600	7,765
Sugarcane	--	5,300
Hay	3,300	3,700
Corn	3,500	3,400

Citrus production data is as follows:

<u>Unit</u>	<u>1976</u> ²
Grapefruit (80 lb. box)	1,890,000
Oranges (85 lb. box)	440,000

¹U.S. Department of Agriculture and Texas Department of Agriculture.
1971 Texas County Statistics. Bulletin 92, August 1972.

²U.S. Department of Agriculture and Texas Department of Agriculture.
1976 Texas County Statistics. Bulletin 152, September 1977.

6. Implications of Trends for Future Rail Traffic

Although urbanization and growth are occurring within the County at a rapid rate, these trends are unlikely to affect the San Benito-Rio Hondo rail segment in the short-term. On the southern portion of the segment, there is little available land for industrial use. Though land is available in and around Rio Hondo and on the northern part of the rail segment, it is unlikely that any additional major rail users will locate there before 1980. Although both Harlingen and San Benito are growing in the direction of Rio Hondo, it appears that Rio Hondo will remain at the periphery of this growth area at least in the near future. In summary, the economic trends suggest that there will not be any significant new sources of rail traffic developing along the rail segment in question.

b. Current and Projected Rail Freight Operations and Traffic

1. Current Rail Operations

Service to Rio Hondo is on an "on-call" basis. Track conditions do not significantly restrict speed on the line. Shippers interviewed complained about lengthy in-transit times and occasional delays in having railcars re-spotted. The line is served from Harlingen.

2. Rail Users

The three rail users are discussed below. Generally, they do not expect to expand or increase rail usage.

Tide Chemical, Inc., is a large regional fertilizer company. Tide owns and operates a regional mixing and distributing facility in Rio Hondo, receiving 33% of its raw materials by rail and 67% by barge. A negligible amount is received by truck.

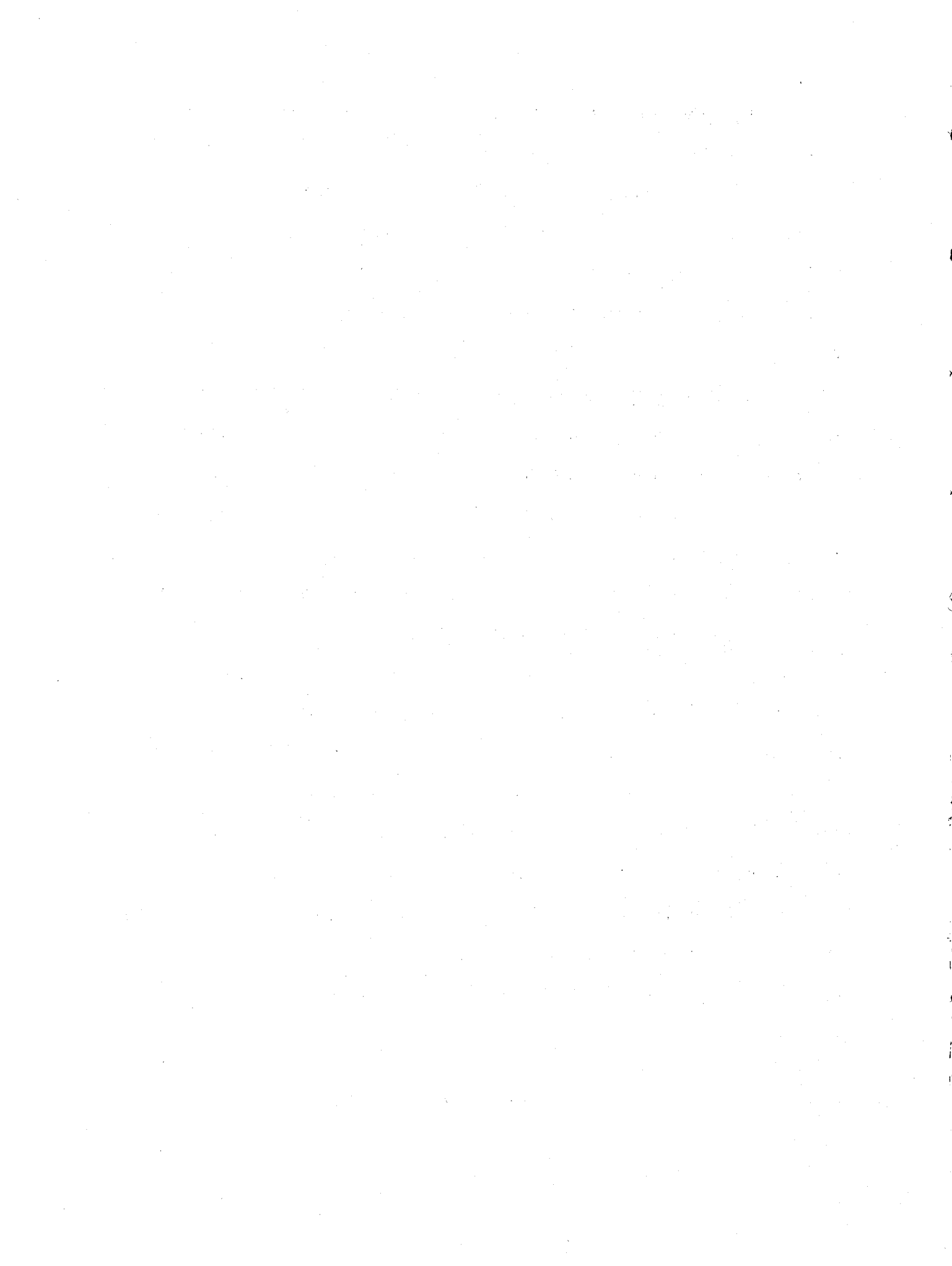
Normally, the processed fertilizer is distributed locally by truck. Occasionally, the firm has shipped fertilizer out of state by rail.

Over the next three years, Tide plans to invest \$25,000 in new facilities and anticipates significantly increased production. Rail use is projected by the firm to be between 182 and 439 carloads, depending on whether the investment is made. No investment would be made in the event of an abandonment.¹

Rio Hondo Implement Company is the local distributor for John Deere farm implements. The firm foresees no increase in rail use in the future and now uses rail transportation as an alternative to trucking. Despite the additional transportation costs, the firm has shifted to truck usage because it feels that product damage is reduced and transit time is considerably shortened. The company is also able to receive farm equipment from the SP railroad in nearby communities.

The Rio Hondo Co-op operates a grain elevator, a cotton gin, and a retail outlet for fertilizer and miscellaneous farm equipment (i.e., batteries, tires, lights). It is the largest employer in Rio Hondo and plays an important role in the local agricultural economy, which is the economic base of the community. Rail is used to ship grain and to receive shipments of fertilizer. Rail use varies because of the fluctuations in grain production. The Co-op is now building a new grain elevator outside of Rio Hondo on the main SP rail line. It expects to close the Rio Hondo elevator by 1981 or 1982 and to ship all grain from the new location.

¹This information was only recently provided by Tide, Inc.



V. ANALYSIS OF THE IMPLICATIONS OF ABANDONMENT ON THE TRANSPORTATION NEEDS OF THE STATE

a. Relationship of the Line Segment and its Traffic to the State Rail System and its Rail Traffic

The San Benito-Rio Hondo segment is designated as MP 215 in the U.S. Department of Transportation, Final Standards, Classification and Designation of Lines of Class I Railroads in the United States. It is shown as a Category B branch line, signifying that it carries less than one million gross tons per year. The segment connects at San Benito with MP 218 between Brownsville and Harlingen, and thence, to the rest of the Mo-Pac system via the coastal route serving South Texas to Houston. This line is classified as a Category A branch line between Brownsville and Robstown, carrying between 1-5 million gross tons annually. Near its midpoint, the subject line intersects line SP 182, also a Category B branch line.

b. Relationship of the Line Segment to Highways, Waterways, and Other Modes of Transportation

The highway system in the impact area is in excellent condition, with farm-to-market roads extending into the more rural areas. State Highway 345 runs parallel to the segment in question and connects Rio Hondo and San Benito. It also connects with U.S. Highways 83 and 77, which are the major links between Brownsville, Harlingen, and points north and west. Most growth in Cameron County is expected to occur along U.S. Highway 83.

Water transportation plays a vital role in economic activity in the Brownsville area, with a deepwater port facility with 36-feet of water depth. The Port of Brownsville has facilities to serve barges, tankers,

bulk carriers, general cargo carriers, and containerized cargo carriers. The Harlingen Port Waterway, on which Rio Hondo is located, has a controlled water depth of 12-feet and basically serves barges, but has the potential for containerized cargo.

VI. RELATIVE ECONOMIC, SOCIAL, ENVIRONMENTAL, AND ENERGY COSTS AND BENEFITS RESULTING FROM THE SELECTION OF ALTERNATIVES

a. Identification of Alternatives

The analysis in Section II of this report shows the San Benito-Rio Hondo rail line to be marginally profitable at best. This situation, combined with the generally fair condition of the line and the uncertain future level of rail traffic, suggests that the public costs of retaining rail service on this line could be high and would not be offset by significant public benefits. Since the likelihood appears slim that the San Benito-Rio Hondo rail line would become a viable operation upon termination of a subsidy period, no alternatives to abandonment were judged to merit further detailed consideration.¹

One possible strategy considered might be of interest to rail users and the affected communities: to explore the feasibility of acquisition of the northern portion of the line by the Southern Pacific. This would require building a switch between the rail segment and the SP line, roughly at the midpoint of the San Benito-Rio Hondo line.

b. Economic, Social, Environmental, and Energy Costs and Benefits

Table 9 summarizes the likely impacts of abandonment of the San Benito-Rio Hondo rail line. The specific economic, energy, environmental and community impacts presented in the table include:

- Employment - Net change in employment resulting from the loss of jobs in businesses adversely affected by abandonment less the increase in jobs due to additional workers employed in trucking (or other activities).

¹The information recently provided by Tide, Inc. indicates that rail traffic may increase significantly. In light of this new information it will be necessary to monitor traffic trends and re-evaluate impacts at the time of the first annual update of the segment analysis. If the public impacts are judged to be severe, alternatives would be reconsidered.

- Payroll - The net change in payroll estimated to be associated with the change in employment.
- Unemployment - The net change in unemployment anticipated as a result of the abandonment.
- Transportation Costs - Additional costs of transporting goods by alternative mode (e.g., truck) to the nearest rail head including annualized capital costs for new transportation facilities such as trucks and loading docks.
- Investment - Investment lost (especially in recently constructed rail facilities) and future investment that would not be made should rail service be abandoned.
- Taxes - Local taxes lost (or in the long term, foregone) due to abandonment of the rail line, closing of certain plants, or decisions to cancel planned investment.
- Other Public Costs - Increase in unemployment compensation.
- Energy - Net change in fuel consumption due to a shift to alternative transportation modes.
- Environmental Effects - Change in air emissions such as increase in hydrocarbons, nitrous oxides, carbon monoxides and particulates due to change in fuel consumption resulting from modal shift.
- Community Effects - Change in development potential and population that is likely to occur in the Impact Area as a result of the cumulative effects of abandonment.

Shipper interviews indicate that the Rio Hondo Co-op will begin the initial stages of phasing out its grain elevator operation in Rio Hondo

TABLE 9
SOCIOECONOMIC IMPACTS OF ABANDONMENT OF THE
SAN BENITO-RIO HONDO RAIL SEGMENT

	<u>ANNUAL IMPACT</u> ¹ <u>Abandonment</u>
<u>ECONOMIC IMPACTS</u>	
<u>Employment Changes</u>	
Direct employment	
Current	0
Future	0
Unemployment	
(Number)	0
(Rate)	0
Payroll	
Current	0
Future	0
<u>Transportation Costs</u> ²	
Additional cost of transporting goods - Current	+\$20,100
Additional cost of transporting goods - Future	+\$20,100
Capital cost of facilities and equipment - Current	0
Capital cost of facilities and equipment - Future	0
<u>Investment</u> ²	
Amount of investment "lost" (companies)	
Current	0
Future (foregone)	0
<u>Taxes</u> ²	
Amount of local taxes "lost" (companies)	
Current	0
Future	0
Amount of railroad taxes "lost"	
Current	\$ 1,640
Future	
<u>Other Public Costs</u> ²	
Increase in unemployment benefits	0
<u>ENERGY IMPACTS</u>	
<u>Net change in fuel consumption (gallons per year)</u>	
Current	+ 1,289
Future	+ 1,289

TABLE 9 (continued)

ENVIRONMENTAL IMPACTS		ANNUAL IMPACT <u>Abandonment</u>
Net change in emissions (pounds per year)		
<u>Current</u>		
HC		+ 31
NO _x		+476
CO		+319
SO _x		+ 26
Particulates		+ 13
<u>Future</u>		
HC		+ 31
NO _x		+476
CO		+319
SO _x		+ 26
Particulates		+ 13
<u>Impact on Air Quality</u>		Negligible
COMMUNITY IMPACTS		
<u>Change in Population</u>		0
<u>Change in Development Potential</u>		Negligible

¹ Does not include information recently submitted by Tide, Inc. which indicates that \$25,000 of investment and 5 jobs would also be lost in the event of abandonment.

² All dollars are 1977 constant dollars.

in the 1978-79 season. The firm also stated that if the line were abandoned before 1983, it would be able to switch to the new facility completely at that time; therefore, this firm has been excluded from the impact analysis, though it is of major economic importance in Rio Hondo.

Another rail user is Tide Chemicals, Inc., which received 1,700 tons of dry and liquid fertilizer in 1977. This volume of shipments is likely to increase during the next five years. Should the rail line be abandoned, these commodities would be transported by barge and truck transportation. Some fertilizer mixing would probably be transferred to Tide's other distribution/mixing centers within the region.¹

The Rio Hondo Implement Company, the smallest of the three principal rail users, believes that its demand for rail service will remain constant or decline in the next five years. Presently, this firm receives implements by both truck and rail. Increasingly, it has shifted to using truck transportation or picking up implements at the Harlingen team track.

In the event of abandonment, it is assumed that all materials transported by both Tide Chemical, Inc., and the Rio Hondo Implement Company would be transported from the rail head in Harlingen by truck.

In the short-term, the profitability of these rail users would be somewhat adversely affected due to absorbing part or all of the higher transportation costs. These costs are estimated to be about \$20,000, and do not represent too great a burden on the firms. The net effect of

¹At a public meeting on January 17, 1979, Tide introduced updated information indicating rail use could increase significantly and that abandonment would result in \$25,000 in foregone investment, 5 job opportunities lost, and significantly higher transportation costs.

the proposed rail abandonment on employment would be minimal. Local tax revenues would be reduced negligible (local taxes associated with the rail segment represent less than 0.5% of total county revenues). The additional consumption of fuel for transportation of goods and the associated impact upon air pollution would also be negligible.

The development potential of Rio Hondo might be affected by the loss of rail. However, there are currently no indications of likely developments that would require rail service.

VII. EVALUATION OF METHODS OF ACHIEVING ECONOMIES IN THE COST OF RAIL SERVICE OPERATIONS ON LINES ON WHICH SERVICE WILL BE CONTINUED

Service on the San Benito-Rio Hondo segment is already provided on call; furthermore, the condition of the line can be characterized as fair. Hence there do not appear to be any methods of achieving economies in the cost of providing rail service.

VIII. COMPETITIVE OR OTHER EFFECTS ON OR BY PROFITABLE RAILROADS

a. Competition

Any potential diversion of traffic from Mo-Pac to other modes or to the SP would not affect the competitive position of any of the railroads. The amount of traffic potentially involved is a small amount of the total handled by the Missouri Pacific Railroad Company system.

b. Profitability

Abandonment of the rail segment would result in a negligible change in the profitability of the Missouri Pacific Railroad Company, which is presently profitable on a systemwide basis.

IX. CONSIDERATIONS RELATING TO RAIL BANKING

Future economic development anticipated for the area does not indicate a strong potential for increased rail traffic on the segment. Therefore, this rail segment does not appear to be a candidate for rail banking.

X. DESCRIPTION OF THE ALTERNATIVES EVALUATED TOGETHER WITH AN ANALYSIS OF THE RELATIVE ADVANTAGES, DISADVANTAGES AND COSTS ASSOCIATED WITH EACH ALTERNATIVE

a. Brief Description of Alternatives

No alternatives to abandonment seem reasonable or practical because of the unlikelihood of the San Benito-Rio Hondo line becoming viable.¹

b. Movement of Existing and Future Traffic by Rail and Alternative Modes

Rail traffic presently is routed through San Benito. Truck traffic serving Rio Hondo moves over U.S. Highway 83 and farm-to-market roads to Rio Hondo from San Benito or Harlingen. In the future, truck traffic would be expected to move in the same manner.

¹In light of recent information provided by the principal rail user indicating that rail use may increase, this will be further evaluated during the annual update of the analysis. If it appears that the public impacts of abandonment would be significant, alternatives to abandonment would be considered.

XI. CONCLUSION OF THE STATE AS TO WHETHER THE ALTERNATIVE SHOULD BE
SELECTED FOR FEDERAL OR STATE ASSISTANCE

The lack of significant public impacts following abandonment of the San Benito-Rio Hondo rail line and the anticipated high costs of retaining service indicate that this rail line should not be considered further for inclusion in the Certified Program of Projects.

Rail users and the affected community may wish to investigate the possibility of having service to the northern portion provided by SP. This would require the building of a switch and the purchase by SP of trackage and other property.

XII. STATEMENT OF THE STATE'S FUTURE ROLE ON EXPIRATION OF
FEDERAL ASSISTANCE

Federal assistance is not contemplated at this time.

APPENDIX A

At a public meeting held in Edinburg on January 17, 1979, Tide Products, Inc. introduced new information on their current and projected rail use. The firm raised its 1980 projection from the 77 carloads it had indicated during field interviews to between 182 and 341 carloads.

While this new information was noted in the report, time constraints did not permit a complete re-evaluation of the line segment. A preliminary analysis indicates that while the potential profitability of the line would be increased, the additional public impacts of abandonment resulting from the new information do not seem to change the basic conclusion of the report. However, the information should be fully evaluated during the annual update of the report. If this reveals significant new rail impacts of abandonment, alternatives will be explored and considered for inclusion in the Certified Program of Projects.





OVERVIEW OF DESIGNATED LINES IN SOUTH TEXAS

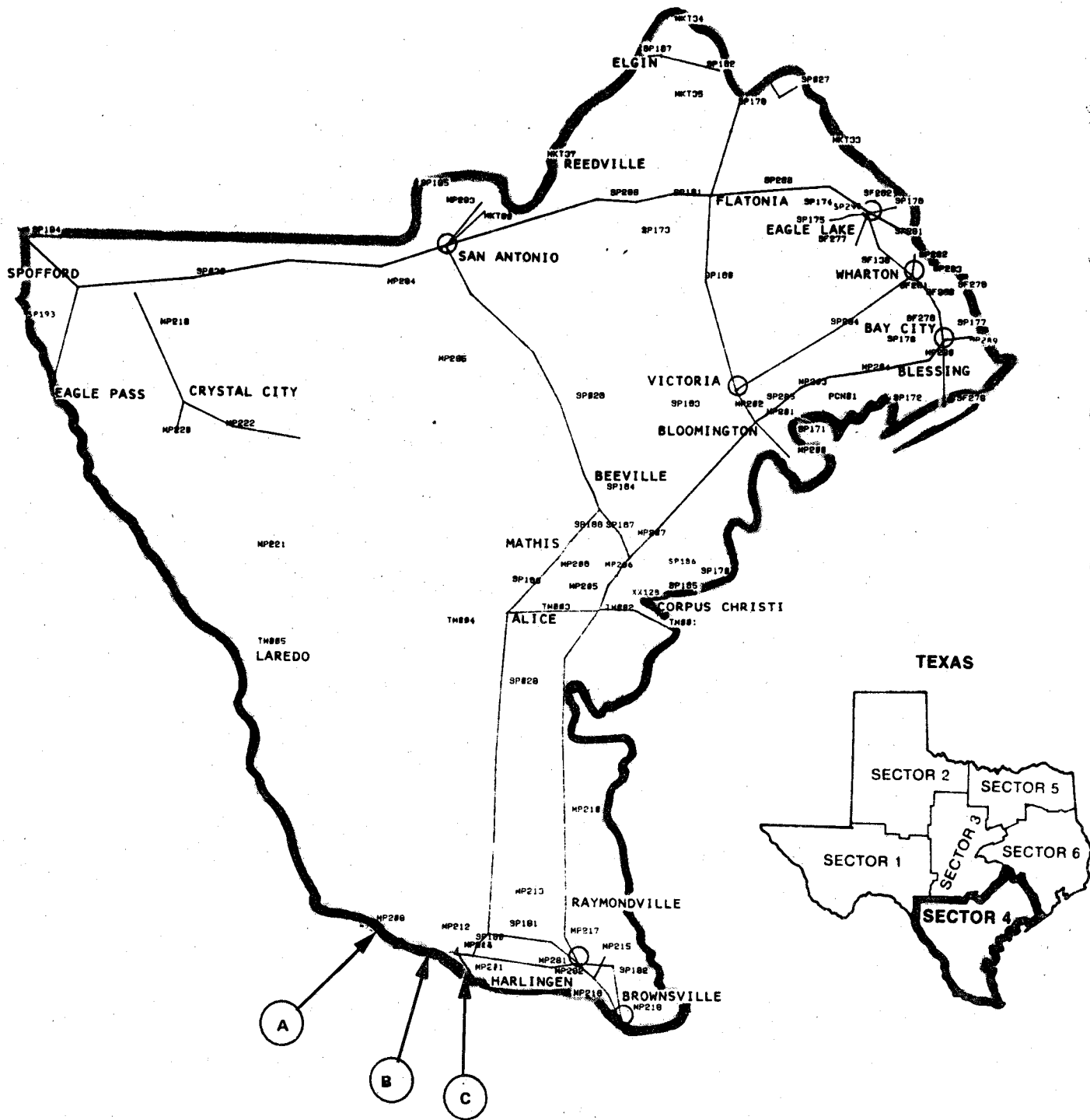
1. Proposed Action and Relationship of Designated Lines to Texas Rail System

Three Missouri Pacific Railroad Company (Mo-Pac) line segments have been designated in Category 1 (Abandonment application anticipated in next three years) or Category 2 (potentially subject to abandonment) by the railroad, pursuant to 49 CFR 1121.20(b). A second designation of these lines, all as Category B branch lines, has been made with respect to traffic density by the U.S. Department of Transportation (DOT) in its Final Standards, Classification and Designation of Lines of Class I Railroads in the United States.

These lines and their respective designations are:

	<u>Miles</u>	<u>Mo-Pac Category</u>	<u>U.S. DOT Code</u>	<u>Density Designation Branch line</u>	<u>Density</u>
A. Spaulding-Rio Grande City	17.1	1	MP 208	B	<1 million gross tons
B. Mission-Spaulding	14.2	2	MP 208	B	<1 million gross tons
C. Mission-Hidalgo	9.7	2	MP 211	B	<1 million gross tons

These three lines, described in detail in individual segment analyses, are shown schematically in Figure 1. The east-west line segment shown as MP 291, just north of Harlingen, connects these with the north-south line designated as MP 210. Almost all traffic attributable to the three subject segments flows over Mo-Pac lines MP 291 and MP 210, although very minor amounts may traverse the Harlingen-Brownsville segment MP 218. With the exception of stub-end lines such as MP 208 and MP 211, Mo-Pac rail lines serving the Rio Grande Valley are all Category A branch lines, carrying between 1-5 million gross tons annually.



Legend:

- (A)** Spaulding - Rio Grande City
- (B)** Mission - Spaulding
- (C)** Mission - Hidalgo

FIGURE 1 DESIGNATED RAIL LINES IN SOUTH TEXAS

Several stub-end segments shown in Figure 1 (taken from DOT data) have been abandoned subsequent to publication of the DOT map. These are the Mission-Palmhurst line (MP 212) and the Raymondville-Monte Alto line (MP 213). At the present time, part of the more westerly of the two major north-south lines (SP 029) is the subject of a pending abandonment proceeding. In addition, the line shown as MP 215 between San Benito and Rio Hondo, is a railroad-designated Category 2 line and a DOT-designated Category B branch line.

If all the Mo-Pac lines subject to possible abandonment proceedings were to be granted in the future, the Mo-Pac Valley Line would consist primarily of the coastal rail line (MP 210) running north-south from a point west of Corpus Christi (Robstown), and two legs of a wye that branches at Harlingen to Brownsville (MP 218) and to McAllen (MP 291).

At the present time, the 1-5 million annual tons on the lower legs of the coastal route (MP 210 and MP 291) equate to roughly 9,000-45,000 cars per year, based on an estimated 30 tons tare weight per car (moving loaded once and empty once) plus 50 tons of lading, or 110 gross tons per carload movement. Data for the similarly-classified Southern Pacific Valley route (now awaiting a ruling on abandonment from the Interstate Commerce Commission) shows traffic slightly below 9,000 cars, and this traffic would be rerouted over Mo-Pac between Harlingen-Robstown (and north) if the abandonment is granted.

The cumulative impact of the potential abandonments of MP 208 and MP 211 on the traffic density of the Mo-Pac's major route would be small. Estimates of present (1977) carload traffic total 1,449 cars for the three segments (Spaulding-Rio Grande City: 388; Mission-Spaulding: 807; and

Mission-Hidalgo: 254). At 110 gross tons per carload, this amounts to less than 0.2 million gross tons annually. Alternatively, nearly 1,500 cars taken from a minimum base of 9,000 cars represents a 1/6 decrement. By contrast, the proposed SP trackage rights movement of its cars over Mo-Pac's line would add about 100% to the existing traffic base, if the I.C.C. grants SP's abandonment application. Furthermore, it is highly unlikely that all three segments would be abandoned at the same time if abandoned at all. Thus, the estimate of 1,500 carloads of reduced traffic is the worst case.

2. Traffic Characteristics and Rail Users

The present carload traffic on the three segments can be broken down by rail user, commodity and carloads as follows:

<u>Segment</u>	<u>Rail User</u>	<u>Commodity</u>	<u>Total Carloads 1977</u>
Mission- Hidalgo ¹	Produce Shippers	Produce	66
	North-South Trade	Imported Merchandise	84
	Mexican Rail Users	Import/Export	92
Mission- Spaulding	Halliburton Services	Drilling Mud	78
	Fertilaid Systems, Inc.	Fertilizer	108
	Bannworth Brothers	Produce	40
	Fordyce Sand & Gravel	Sand & Gravel	581
Spaulding-Rio Grande City ²	Zarksy Lumber	Building Materials	2
	Camargo Brick	Bricks	300
	Starr Farms	Produce	15
	La Casita Farms	Produce	67
	Starr Gin & Grain	Grain	4

¹A new industry, reportedly negotiating to locate near the McAllen Foreign Trade Zone, could generate an estimated 300 railcars per year.

²A new brick plant being established in Rio Grande City expects to generate between 50 and 100 rail carloads annually.

3. Impacts of Abandonment

There is likely to be a significant lag between the time final action is taken on each of the lines. Furthermore, it is possible that one or more of the segments in question will not be abandoned. This suggests that the impacts of abandonment, described in each segment analysis, are likely to be spread out over time or possibly not even materialize. The worst case--abandonment of all three segments--would affect the rail users listed above. However, abandonment of all three lines would not change the impacts as noted in the individual segment analyses. Examining the three segments together also does not change the conclusions reached in the individual reports regarding preferred alternatives to abandonment and recommended action. The one exception would be that if the Mission-Spaulding segment were sought for abandonment first, the Spaulding-Rio Grande City segment would be cut off from rail service; in order for Mo-Pac to consider such an action, however, it would first have to redesignate Mission-Spaulding from Category 2 to Category 1.

Segment Analysis

MISSION-HIDALGO

RAILROAD COMMISSION OF TEXAS

with

Technical Assistance

of

Arthur D. Little, Inc.

October 1978

Revised January 1979

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PART A. SUMMARY

1. Introduction

The Missouri Pacific Railroad Company (Mo-Pac) has designated a 9.7-mile rail segment as Category 2, potentially subject to abandonment, pursuant to 49 CFR 1121.20(b)(2). The line runs from the Town of Hidalgo on the Mexican border to a juncture with the Mo-Pac main line at Mission, Texas. If the segment were abandoned, Hidalgo would lose service, while Mission would retain it.

2. Traffic Characteristics

Rail service is on an "on call" basis. A total of 254 cars moved over the line in 1977, with slightly more originating on the line than terminating (154 versus 100). Traffic estimates are subject to unknown errors since shippers were difficult to identify or are located in Mexico. Furthermore, those who were identified could not reconstruct their traffic histories without investing in considerable clerical time, which they were unwilling to do.

3. Economic Characteristics

a. Economic Activity

The economy of the Impact Area is moving from one historically based in agriculture and mineral production to more light manufacturing and services. The towns of Mission and Hidalgo are only 10 miles apart; between them is mostly farm land, undeveloped brush land and a Foreign Trade Zone. Hidalgo is a border town, with some tourism and retail shopping on both sides of the border. The population of the area is growing rapidly and there appears to be a potential for significant economic growth.

b. Rail Users

Rail traffic can be grouped into four categories. The first group of users, those engaged in agriculture, process fresh fruits and vegetables grown locally and in Mexico. The less perishable crops, e.g., carrots and onions, are shipped by rail; other crops do so only when sufficient trucking capacity cannot be found. A second category of traffic is controlled by U.S. customs brokers. Third, there is traffic moving for the account of Mexican companies, usually inbound to Mexico. The fourth category (of only 12 cars annually) is oil well drilling clay.

4. Impact of Abandonment

Virtually all users that would be affected by a future abandonment load and unload their shipments at a team track in Hidalgo. Following an abandonment, users would have to drive 8 to 12 miles either to Mission or McAllen to use the team track there. Possibly one job might be lost as a result of the abandonment, while the local freight bill would rise due to increased trucking.

Two potential developments in Hidalgo might affect rail traffic. The first is an oil pipeline being considered from Mexican fields to Reynosa, Mexico, just across the Rio Grande River from Hidalgo, which could lead to construction of petrochemical plants in the border area. Depending upon the products planned for the plants, the loss of rail service could force plants to be located elsewhere, thus foreclosing desired development for the area.

A second project discussed in Hidalgo is a possible U.S. rail link with the Mexican rail system via a bridge at Hidalgo. Local officials

favor the idea because of possible benefits to the economy. Mo-Pac already has international rail links at Brownsville and Laredo, which the railroad is believed to consider sufficient for traffic requirements. However, as of late 1978, it appears likely that the rail link will be established just south of Mission, connecting with the Mission-Hidalgo line.

The McAllen Foreign Trade Zone (located in McAllen) is served by two rail spurs. While companies located in the Zone currently do not use rail, at least one has inquired about its use. Local officials consider possible abandonment as a disadvantage in marketing the Zone, since companies that require rail service or want this alternative to be available would no longer consider locating there.

Recently, it has come to our attention that a new company producing industrial equipment for Mexico's petroleum sector plans to locate just outside of the Foreign Trade Zone. It is expected that the company will generate about 300 carloads of terminating traffic annually.¹ In addition, the Hunt Properties, which owns about 5,000 acres served by this line, plans to convert part of their land to industrial district use.

5. Alternatives to Abandonment

Continuing service with a temporary annual operating subsidy was considered to be the only viable alternative to abandonment.

¹Letter from Frank Birkhead, McAllen Industrial Board, December 22, 1978.

6. Inclusion in Certified Program of Projects (CPP)

Discontinuance of service on the Mission-Hidalgo rail line would adversely affect new industrial developments in the Mission-McAllen-Hidalgo area related to Mexican trade and pipeline and petrochemical projects. Therefore, it is recommended that this segment be considered for inclusion in the CPP if the carrier files for abandonment and pending a benefit-cost analysis of all of the possible projects.

PART B. DETAILED ANALYSIS

1. Description of the Line

a. Proposed Action

The Missouri Pacific Railroad Company (Mo-Pac) has given notice that its rail line from Mission to Hidalgo, Texas, is potentially subject to abandonment. [This is a Category 2 designation in accordance with 49 CFR 1121.20(b)(2).] The line is located in Hidalgo County, and is shown in Figure 1 in relation to the Texas rail system.

The 9.7-mile long segment lies between Mileposts 0.0 (Mission) and 9.7 (Hidalgo) and is depicted in greater detail in Figure 2.

No agency stations are located on this segment, which is served by a mobile agent based at Harlingen, Texas (Milepost 25.6) on the main Mo-Pac line.

b. Description of Rail Segment

The rail line passes through farm (vegetable and sugarcane) and undeveloped brush land between Mission (1976 population 16,074) and Hidalgo (population 1,592).¹ It also passes through the McAllen Foreign Trade Zone which is part of the City of McAllen (population 48,563).

¹Texas Almanac, 1978-1979.

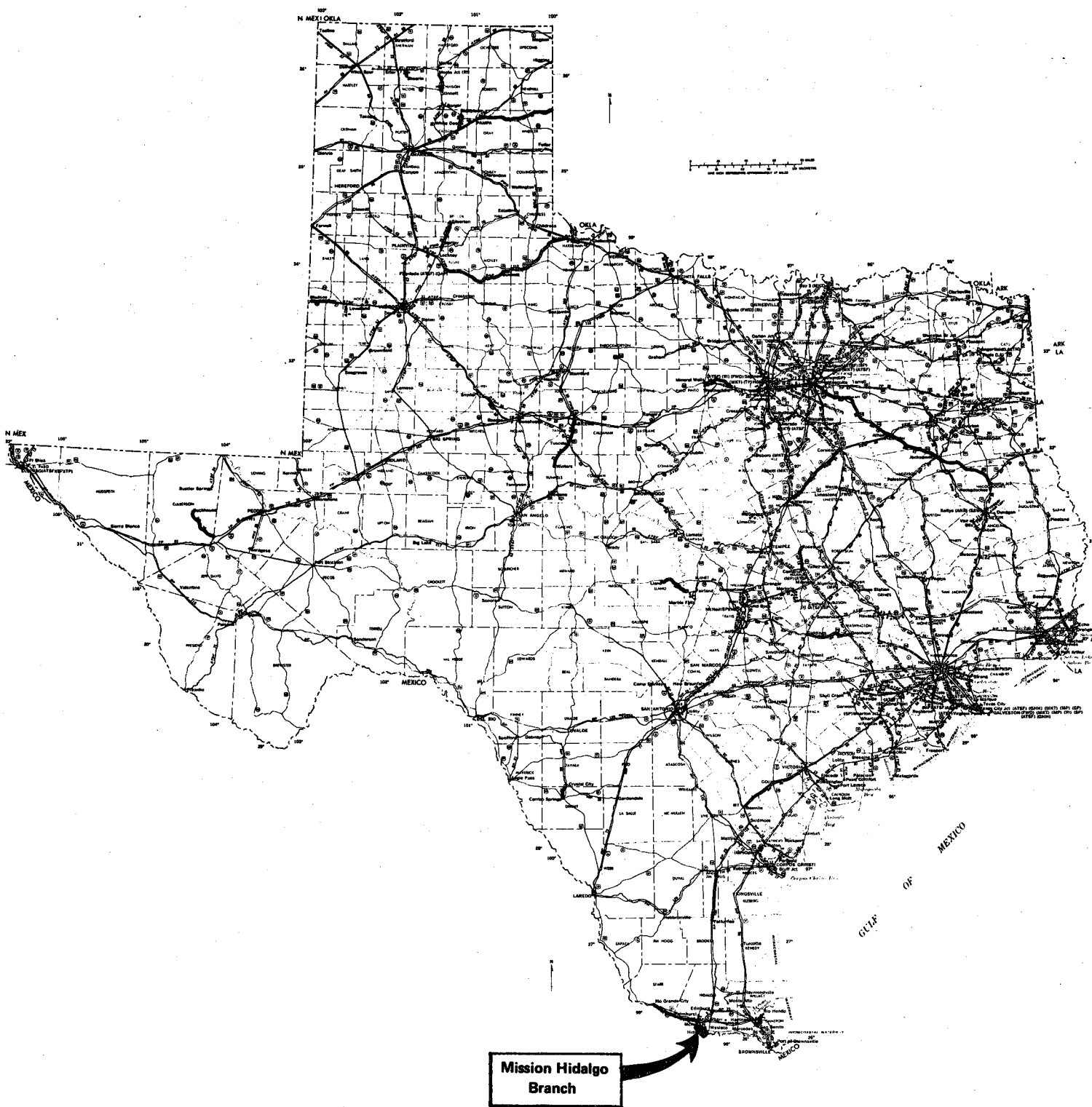


FIGURE 1 LOCATION OF THE MISSION-HIDALGO RAIL SEGMENT IN RELATION TO THE TEXAS RAIL SYSTEM

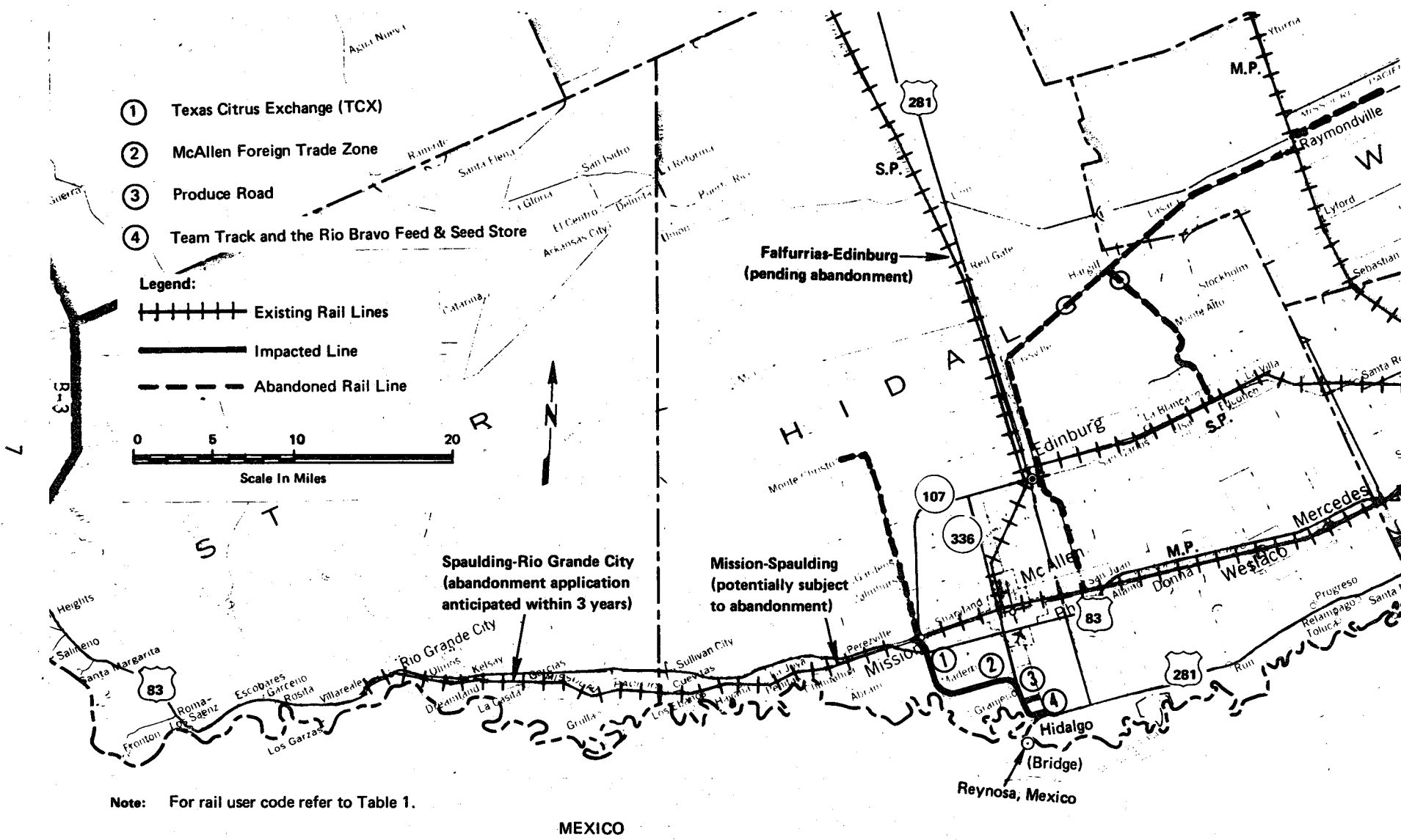


FIGURE 2 LOCATION OF MISSION-HIDALGO RAIL LINE IN HIDALGO COUNTY



I. FREIGHT TRAFFIC AND CHARACTERISTICS OF RAIL USERS

a. Freight Traffic

Approximately 254 carloads of traffic are estimated to originate or terminate on this 9.7-mile spur line. There is a large number of small shippers. This, coupled with the fact that much of the traffic is generated in U.S.-Mexican trade, made an accurate shipper survey nearly impossible. In addition, many of those shippers who could be located were not able to provide the information requested. Mo-Pac provided traffic data for the Mexican trade.

b. Rail User Characteristics

For purposes of analysis, rail traffic has been grouped into four rail user categories:

- Agricultural

These users shipped and received 66 cars in 1977 (see Table 1). Most of the rail shipments were onions and carrots, since the more perishable fruits and vegetables ordinarily are shipped by truck. Some of the produce is from local farms, but most comes over the border from Mexico for crating by processors in Hidalgo.

These processors are located on or near a rail siding that parallels Produce Road, approximately 2 miles north of the center of Hidalgo. The only other rail siding on the line is about 1 mile south of Mission on the property of the Texas Citrus Exchange, which uses rail only as an alternative when truck service cannot be obtained.

A receiver of rail shipments is the Rio Bravo Feed and Seed Company in Hidalgo. Most of the firm's customers are small Mexican farmers and ranchers. Rio Bravo received 12 carloads of feed in 1977.

TABLE 1

CARLOAD RAIL TRAFFIC ON THE MISSION-HIDALGO RAIL SEGMENT,
1973, 1977 and 1980

<u>Type of Rail User</u>	<u>Originating</u>			<u>Terminating</u>			<u>Total Traffic</u>			<u>ADL</u> <u>Estimate</u> <u>1980</u>
	<u>1973</u>	<u>1977</u>	<u>1980</u>	<u>1973</u>	<u>1977</u>	<u>1980</u>	<u>1973</u>	<u>1977</u>	<u>1980</u>	<u>1980</u>
Agricultural	80	54	54	0	12	12	80	66	66	66
North-South Trade	50	42	55	50	42	55	100	84	110	110
Mexican Rail Users	*	52 ¹	50	*	40 ¹	150	*	92 ¹	200 ²	200 ²
Other	<u>0</u>	<u>6</u>	<u>8</u>	<u>0</u>	<u>6</u>	<u>7</u>	<u>0</u>	<u>12</u>	<u>15</u>	<u>15</u>
TOTAL	130	154	167	50	100	224	180	254	391	391

¹Data supplied by the Missouri Pacific, letter of December 19, 1978, to Railroad Commission of Texas.

²Subsequent to the completion of field work and analysis, the McAllen Industrial Board advised the Railroad Commission, by letter of December 22, 1978, that an unidentified Mexican-owned business was negotiating to purchase a site adjacent to the McAllen Foreign Trade Zone. The Industrial Board asserts that rail traffic attributable to this new rail user will total 300 cars per year at an unspecified future time.

Source: Interviews with rail users and local officials, 1978 and other sources as noted.

- North-South Trade Specialists

These include customs brokers, bonded and non-bonded warehouses, and firms incorporating Mexican materials and components into their products. By far the largest single user is Jimmy Santos, Inc., a customs broker, which accounted for 60 inbound and outbound carloads in 1977. Customs brokers act on behalf of shippers and receivers in both the U.S. and Mexico. Their function is to facilitate the movement of goods across the border by insuring that all the documentation and permits have been completed. Depending upon the specific shipment and company that these brokers are representing, they make arrangements for transportation by truck or rail. Their records are such that retrieval of information on how many cars were received or dispatched by rail is an expensive and time-consuming task. For the most part, these firms declined to generate such data for this study.

According to local officials, three customs brokers (Santos, Victor Guerra, Inc., and Robert F. Barnes, Inc.) account for around 80% of brokerage business in Hidalgo. All brokers use the team track in Hidalgo, which is adjacent to the Rio Bravo Feed and Seed Company. If the line were abandoned, they would presumably use the team track about 8 miles away in McAllen.

- Mexican Rail Users

A number of Mexican firms use the team track in Hidalgo, with most of them bringing in finished goods and equipment from the U.S. Because many are infrequent users, it was not possible to identify them by name, and it was judged impractical to extend the survey into Mexico. One

user is known to be the Mexican National Petroleum Company, which has been receiving materials for a pipeline it is building. The pipe, itself, however, is coming into one of the Mexican ports from Japan.

- Other Rail Users

A number of other users account for a total of only a dozen cars or so per year, carrying mainly oil drilling clay. Included in this category would be any users in the McAllen Foreign Trade Zone (located in McAllen). No one in the Zone currently uses the subject rail segment though one company uses piggy-back services (TOFC), picking up its trailers at McAllen, and a potential rail user is reported by the McAllen Industrial Board to be locating on a rail site adjacent to the Zone.

II. REVENUES DERIVED FROM RAIL FREIGHT SERVICES AND THE COST OF PROVIDING THESE SERVICES

a. Revenues

A carload estimate of 254 cars is used for this segment. Of this total, 92 carloads were estimated by Mo-Pac to involve traffic of Mexican-based users of the Mission-Hidalgo line. Revenues estimated for 254 cars, on the basis of system averages, total \$131,229 for the 9.7-mile segment.

b. Expenses

Maintenance of way, maintenance of equipment and both one- and off-branch transportation expenses are based, as appropriate, on either system branchline R-6 data or systemwide R-1 data. The operating expense subtotal, shown in detail on the Revenue and Expense Estimation Sheet, is \$84,741, an amount judged to represent a minimum avoidable cost of operating the segment.

Payroll taxes add an additional \$6,915 and other-than-federal taxes are \$9,199. Including equipment rental expense of \$9,120 and other expenses (primarily an allowance for working capital), grand total expenses are \$114,793. The net result is a profit of \$16,436.¹

c. Operating Results and Breakeven

The 254 carloads of traffic estimated for 1977 produced an operating profit of approximately \$16,400, as discussed above. Excluding consideration of major rehabilitation of the line, a

¹Mo-Pac provided limited data, by letter of December 19, 1978, indicating that 92 carloads of Mexican-user traffic moved over the segment. Recalculation of operating results based on this information produced a change in net results, calculated in an earlier draft as a loss of \$1,580 for 162 carloads (revenues of \$83,697 and expenses of \$85,277).

rough approximation of breakeven traffic indicates that at about 180-200 annual carloads the line should be at least marginally profitable.

d. Available Data Sources

Systemwide Mo-Pac R-1 (all operations) and R-6 (designated branch lines) data were available. Carload traffic attributable to Mexican users of the line was provided by Mo-Pac. A separate branch line R-6 worksheet was not available. All other data were derived from field surveys, questionnaires or public sources as noted.

REVENUE AND EXPENSE ESTIMATION SHEET

Line: Mission - Hidalgo

Railroad: Mo-Pac

Miles: 9.7

1977 Carloads & Tonnage:

254 carloads (26.2/mile). Total Tonnage: 14,478 (estimate, based on system average tons per car = 57). No data on tonnage, commodities, origins/destinations from field work [254 x 57 = 14,478]

a. Revenues: \$131,229

1. Basis of estimate: MP system average operating revenue per net ton mile = \$0.0206 (per R-1) system average distance moved per ton of revenue freight = 440 miles. Product of those system averages and estimated tonnage yields estimated revenue. [14,478 x 440 x \$0.0206 = 131,229]

2. Description of O&T or Bridge Traffic Assumptions. Bridge traffic is not a factor for this line. No data on originating or terminating traffic; therefore, system average distance moved has been used. The lack of data on tonnage by carrier required use of system average for purposes of estimation.

B. Expenses:

1. Maintenance of way \$16,500

Basis: Annualized branch line m/w expense per mile = \$1,701 (per R-6). This branch line average expense, applied to segment mileage, yields m/w expense for segment [\$1,701/mi x 9.7 = \$16,500].

2. Maintenance of equipment \$19,812

Basis: System average m/e expense per net ton mile = \$0.00311 (R-1). This average, applied to segment estimated net ton miles yields segment m/e expense [14,478 x 440 x \$0.00311 = \$19,812]

3. Transportation
 On-branch \$ 2,547
 Off-branch 45,882
 \$48,429

Basis: Branch line transportation expense per locomotive unit mile = \$5.05 (R-6). Annual trips estimated 26 per annum (9.8 loads/train). Total distance per round trip, on branch is 19.4 miles. On-branch transportation expense: [\$5.05 x 26 x (9.7 x 2) = \$2,547].

Off-branch transportation expense per net ton miles system average = \$.00737. Applied to net ton miles off-branch yields estimated off-branch expense [.00737 x 14,478 x (440 - 10) = \$45,882].

Operating Expense \$84,741
 Subtotal:¹

¹Includes estimated \$1,555 Health and Welfare contribution based on 5.6% of labor expense.

4. Estimated Taxes:			
Payroll	\$ 6,915	<u>Basis:</u> Systemwide, payroll taxes add 17% to labor cost, which is reported at 48% of operating expense (R-1) [\$84,741 x .48 x .17 = \$6,915].	
Other-than-federal	\$ 9,199	<u>Basis:</u> Based on \$948.33/mile, or reported tax expense per mile of road. [\$948.33 x 9.7 = \$9,199].	
Tax Sub-total	<u>\$ 16,114</u>		
5. Equipment rentals	\$ 9,120	<u>Basis:</u> System average rental expense per net ton mile = \$0.0816 (R-1). System average distance moved per ton x segment cars [\$0.0816 x 440 x 254 = \$9,120].	
6. Other expenses	\$ 3,506	<u>Basis:</u> Pro-rate of branch system avoidable costs (R-6), based on segment as a percent of branch system. Represents primarily an allowance for working capital. [\$158,412 x (9.7/438.29) = \$3,506].	
7. Management Fee	<u>\$ 1,312</u>	<u>Basis:</u> 1% of gross revenues	
EXPENSE TOTAL	\$114,793		
NET RESULT	\$ 16,436	PROFIT	

III. CONDITION OF THE RAIL LINE, EQUIPMENT AND FACILITIES

a. History of the Line

The rail line is owned by Mo-Pac and is in good condition, based upon visual inspection of several points. In 1978, the line was realigned, leveled, and repairs were performed on the bridge, trestles, and roadbed. During the late 1960's and early 1970's, major work was performed on the whole line after it incurred significant damage from a hurricane.

b. Layout of the Line

The line begins in Mission, Texas, heading due south paralleling Texas High 107, passing under U.S. Highway 83, and following Farm Road 1016. Directly after U.S. Highway 83 is the siding belonging to the Texas Citrus Exchange that heads east and then north. Four miles south of Mission, the line turns east along Old Military Highway and Farm Road 1016 to the McAllen Foreign Trade Zone. The road takes a jog, but still heads east as the rail line does. At Texas Highway 115, the rail segment turns south again; shortly thereafter, it passes over a 1/4 mile-long wooden bridge, and continues south to Hidalgo, where it ends. Approximately 1-1/2 to 2 miles from the team track in Hidalgo at the end of the line, a rail spur crosses Highway 115 and follows "Produce Road" about 1-1/2 miles. There are no rail facilities located on the spur.

c. Physical Characteristics

Visual inspection at several points revealed the rail to be in generally good condition and with minimal wear. The track, laid in 39-foot alternating rail sections is quite straight and level.

Grass is growing between the rails, approximately 6 inches to 1 foot high, depending upon the location. The tie plates are in good condition and positioned well. About 10% of the tie spikes are loose and 10% of the ties are in poor condition. Fifty percent of the ties appear to be from 5 to 10 years old, and few appear more than 25 years old. There are 18 to 20 ties per rail section (39-foot). Some pilings on a wooden bridge appeared to have been replaced recently.

However, Mo-Pac estimates that the segment requires an additional \$1 million expenditure for rehabilitation and bridge reconstruction.

IV. ECONOMIC AND OPERATIONAL ANALYSIS OF PRESENT AND FUTURE FREIGHT SERVICE NEEDS

a. Economic Overview

1. Definition of the Area of Impact

The Mission-Hidalgo segment of the Mo-Pac line is entirely within the southern section of Hidalgo County. This county is located in the McAllen-Pharr-Edinburg BEA Regional Area.¹ Both the county and the BEA Area were chosen for this analysis because they are the smallest areas for which comprehensive data are available.

Hidalgo County is located in the southernmost tip of Texas, in the region known as the Lower Rio Grande Valley (see Figure 3). It is bordered by the country of Mexico to the south, Starr and Brook Counties to the west and north, respectively. To the east are both Cameron and Kenedy Counties. The major cities in the county are McAllen, Edinburg, and Mission. The potential abandonment of the Missouri Pacific's Mission-Hidalgo rail lines would most affect the town of Hidalgo, by eliminating direct rail service to the community. Thus, Hidalgo would require motor transportation of goods to and from the Mo-Pac line in McAllen or Mission, both 10 miles or less distant. Mission would continue to be served by the main Mo-Pac rail line, but would lose the opportunity to establish a rail link with Reynosa, Mexico. McAllen would be affected to the extent that the McAllen Foreign Trade Zone would lose rail service.

¹U.S. Department of Commerce and Agriculture. OBERS Projections of Economic Activity in the United States, Volume II, BEA Economic Areas. Washington, D.C., 1972.

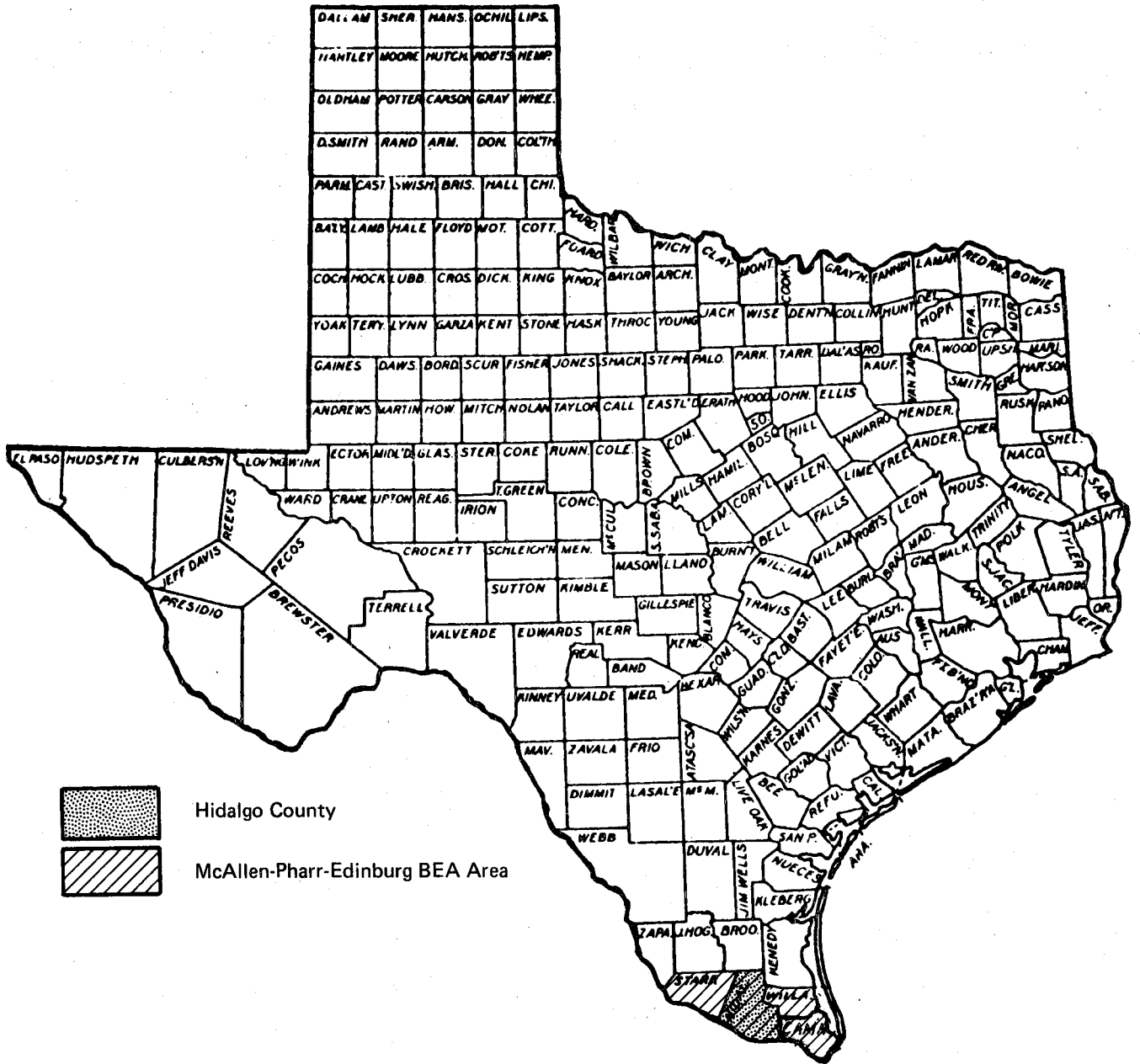


FIGURE 3 LOCATION OF HIDALGO COUNTY WITHIN THE STATE OF TEXAS AND THE McALLEN-PHARR-EDINBURG BEA AREA

2. Population and Economic Trends

The economic trends in the McAllen-Pharr-Edinburg BEA Regional Area provide a general setting in which to consider the past and future roles of the rail line.

This four-county area is considerably larger than Hidalgo County, in which the line is located. Therefore, the overall trends have only general implications for rail traffic on the Hidalgo-Mission line. The McAllen-Edinburg-Pharr and Harlingen-San Benito SMSA's are also situated in the region.

The McAllen-Pharr-Edinburg BEA Regional Area has historically been one of the more underdeveloped regions in Texas. The regional economy showed little growth in the 1960's and early 1970's. Total employment increased from 90,000 in 1950 to over 106,000 in 1966. This 20% increase was considerably lower than the 40% experienced by the State of Texas during the same period (Table 2). Similarly, population growth in the area was slower than the State average.

Based on the economic trends of the 1960's, OBERS projections for population and employment growth in the region were conservative. Between 1966 and 1980, the population of the BEA Area was expected to decrease at an annual rate of almost 0.1%. Between 1980 and 2000, the rate of population growth was projected to be less than 0.5% annually. Employment was expected to increase only one third as fast as the State population between 1966 and 1980 and continue to perform more poorly between 1980 and 2000.

TABLE 2

COMPARISON OF THE ECONOMIC STRUCTURE AND GROWTH TRENDS
IN THE MCALLEN-PHARR-EDINBURG BEA REGIONAL AREA AND THE STATE OF TEXAS¹
1966-2000

	<u>Percentage Distribution of Employment</u>						<u>Annual Rate of Growth</u>			
	<u>-----1966-----</u>		<u>-----1980-----</u>		<u>-----2000-----</u>		<u>---1966-1980---</u>		<u>---1980-2000---</u>	
	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>
Agriculture	18.2%	6.5%	11.8%	3.4%	7.9%	1.9%	-2.6%	-2.1%	-1.4%	-1.2%
Mining	1.2	2.8	1.0	1.9	0.8	1.2	-1.4	-1.1	-0.5	-0.8
Construction	4.9	7.3	6.1	7.3	6.4	7.2	2.0	1.5	0.9	1.5
Manufacturing	10.4	17.7	10.4	18.6	10.0	19.5	0.5	2.0	0.4	1.8
Transportation & Utilities	5.3	6.7	5.3	6.5	5.2	6.2	0.4	1.3	0.6	1.3
Wholesale & Retail Trade	25.2	19.8	26.3	20.2	26.3	20.2	0.7	1.7	0.7	1.5
Services	25.5	27.9	29.6	31.4	32.8	34.1	1.5	2.5	1.1	2.0
Government	<u>9.2</u>	<u>11.3</u>	<u>9.5</u>	<u>10.7</u>	<u>10.6</u>	<u>9.7</u>	<u>0.7</u>	<u>1.2</u>	<u>1.2</u>	<u>1.0</u>
All Categories:	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.5%	1.6%	0.6%	1.5%

¹ Statistics do not reflect recent economic growth. Revised OBERS projections are expected to be published shortly and will be incorporated in the report during the annual update.

Source: OBERS Projections of Economic Activity in the United States, Volume II. BEA Economic Areas.
 U.S. Department of Commerce and Agriculture, 1972.

It now appears that these projections were too conservative¹. Population has increased very rapidly, largely because of Mexican immigration and others seeking warmer climates. Interviews with local officials indicate that there has also been a spurt in economic development, particularly since the 1973 oil price hike. The region had previously been adversely affected by its distant location from industrial markets. In the last five years, the area's warm climate and the availability of oil and gas have helped to overcome this shortcoming. Furthermore, the proximity to Mexico may now be of strategic importance given the likelihood of greater trade with Mexico.

Much of the recent growth has been concentrated in the Impact Area--Hidalgo County. The trends in the county, and in the three communities affected by the subject rail segment--McAllen, Mission, and Hidalgo, are similar to those in the BEA Region. Relative underdevelopment and slow growth has been followed by rapid population and economic growth (see Table 3). This growth is currently concentrated in light manufacturing, increased trade opportunities, and tourism-related services.

As of 1975, 45,056 residents of Hidalgo County, the Impact Area, were employed, as shown in Table 4. Services, wholesale and retail trade and finance, insurance, and real estate, as a group make up the largest source of employment in the State, Region, and County. Both State and Regional employment in these sectors are roughly comparable, while the figure for the County is much higher, due to

¹Reliable and recent statistics are not yet fully available. The economic and population growth of the area will be more fully analyzed in the annual update of this report.

TABLE 3
POPULATION GROWTH

<u>Year</u>	<u>Hidalgo County</u>	<u>McAllen</u>	<u>Mission</u>	<u>Hidalgo</u>
1900	6,837	--	--	N.A.
1910	13,728	--	--	N.A.
1920	38,110	5,331	3,847	N.A.
1930	77,004	9,074	5,120	N.A.
1940	106,059	11,877	5,982	N.A.
1950	160,446	20,067	10,756	N.A.
1960	180,904	32,728	14,081	N.A.
1970	181,535	37,636	14,043	N.A.
1975	227,853	48,563	16,024	1,592

SOURCE: Texas Almanac, U.S. Bureau of the Census, 1978-79.

TABLE 4

EMPLOYMENT IN HIDALGO COUNTY, 1970 AND 1975

	<u>1970</u>	<u>1975</u>
Mining	651	575
Contract Construction	1,894	3,129
Manufacturing	2,861	3,945
Public Utilities	1,329	1,493
Wholesale Trade	5,533	7,650
Retail Trade	8,543	10,734
Finance, Insurance, Real Estate	1,245	1,637
Services	4,778	5,672
Other	<u>227</u>	<u>803</u>
SUBTOTAL ¹	27,061	35,638
Agriculture ²	<u>9,418</u>	<u>9,418^e</u>
GRAND TOTAL	36,479	45,056

¹U.S. Department of Commerce, Bureau of the Census. County Business Patterns, Texas. CBP-75-45, Washington, D.C., 1976. (Excludes self-employed persons, farm employees, domestic workers, and railroad employees. Data are reported for county of employment.)

²U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics, Texas. PC(1)-C45 Tex., April, 1972. (Data on agricultural employment are not available for 1975 from the Census; therefore, the 1970 estimate is used. With generally declining agricultural employment, it is likely that this somewhat overstates agricultural employment in 1975.)

the County's close proximity to Mexico (see Table 5). Many Mexicans prefer to travel to the U.S. for shopping, due to the wide variety and high quality of goods available.

The third largest employment sector in the region is the agricultural sector. As shown in Table 5, the region is relatively dependent upon agriculture for employment. The manufacturing sector follows in importance, but is closely related to the agricultural sector, since 38.1% of manufacturing arises from processing fruits and vegetables. Twenty-three percent of manufacturing is related to textile production.

Local economic activities within the community of Hidalgo are mostly associated with trade with Mexico. Numerous customs brokerage houses and warehouses are active in foreign trade. Approximately ten processors are located in Hidalgo and large quantities of Mexican produce are also processed within the BEA Regional Area for sale within the U.S. Although many crops are grown on both sides of the border, several are grown only in Mexico. This is due to a variety of reasons (such as soil and weather conditions, labor, energy, land and water costs). Typically, produce grown for export to the U.S. is processed in the U.S. so as to comply more readily with the U.S. Department of Agriculture regulations.

Most produce processors of Mexican-grown crops are located very close to the International Bridges in the area, and Hidalgo and McAllen enjoy a position of major importance to the industry. The produce processing industry is a major employer in the manufacturing sector. Many of these processors only operate seasonally, and employment

TABLE 5

COMPARISON OF THE EMPLOYMENT STRUCTURE
OF HIDALGO COUNTY, THE MCALLEN-PHARR-EDINBURG AREA AND THE STATE OF TEXAS

	Hidalgo ¹ County	McAllen-Pharr- ² Edinburg BEA Regional Area	State of ¹ Texas
Agriculture	18.1%	18.2%	4.4%
Mining	2.0	1.2	2.4
Construction	6.1	4.9	7.0
Manufacturing	7.3	10.4	17.4
Communications, Transp., Utilities	5.3	5.3	6.4
Wholesale & Retail Trade	28.0	25.2	20.9
Finan., Insurance, Real Estate	33.1	25.5	29.9
Government	-- (3)	9.2	11.6
TOTAL	100.0%	100.0%	100.0%

¹U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics, Texas. PC(1)-C45, Texas, April, 1972.

²U.S. Department of Commerce and Department of Agriculture, OBERS Projections of Economic Activity in the United States, Volume II. BEA Economic Areas. Washington, D.C., 1972.

³Included under "Services".

and shipments vary significantly by month throughout the industry. In the past, produce processors were located adjacent to rail lines, because they offered the most economical means of transportation. In the early 1960's, truck transportation became increasingly more economical. Today, most Mexican and American produce processors ship by rail only to a very few high-volume customers or when there is a shortage of trucks. This is true of most processors along the rail segment.

Because farm products produced in this County compete within the national and international agricultural market (and are, thus, very responsive to market demand), agricultural production figures tend not to reflect trends as much as year-to-year variations in market supply and demand. In recent years, the production of field crops has remained constant. Within the last five years, a new crop--sugar cane--has been introduced into the Region. This crop has thrived and its importance is expected to increase in Hidalgo County.

Even though vegetable production within the State of Texas declined between 1971 and 1976 by more than 12%, Hidalgo County increased its percentage of the total vegetable production within Texas for all crops. In 1971, Hidalgo County produced approximately 26% of the State's vegetables; in 1976, it produced 28%, while total vegetable production within Hidalgo County dropped by 4.5%. Hidalgo County accounts for a disproportionate share of the State's production in all vegetable types, ranging from 60% of cauliflower,

50% of cabbage, 43% of lettuce and honeydew melons, 24% of tomatoes, down to 11% of Irish potatoes and 4% of watermelon production.

The McAllen-Pharr-Edinburg BEA Regional Area produces almost all of the State's citrus production. Most of this production is concentrated within Hidalgo County. This County accounts for 76.4% of the State's grapefruit production and 88.9% of the State's orange production.

3. Implications of Trends for Future Rail Traffic

Until recently, it appeared that growth would be moderate in Hidalgo County and in the communities of McAllen, Mission and Hidalgo. Several new and pending developments, mostly related to trade with Mexico, promise to expand employment opportunities and increase the need for rail service.

One of these developments is the McAllen Foreign Trade Zone, which was incorporated in 1971 on land adjacent to the subject rail line. Since then, it has attracted a number of firms serving national and international markets and spurred the growth of light industry adjacent to it. Although the Zone is served by two rail spurs, no regular users of the Mission-Hidalgo line have located there as yet, although one firm uses rail piggy-back (TOFC) services to McAllen. The McAllen Industrial Board has indicated that a potentially significant rail user producing industrial equipment for Mexico's petroleum sector intends to establish a plant adjacent to the Zone. Another industrial district development is contemplated by Hunt Properties, which owns 5,000 acres served by the subject rail line.

For a number of years, the construction of an international rail bridge has been proposed adjacent to the existing international automobile/pedestrian bridge in Hidalgo. Recently, the City of Mission filed for approval for the construction of an international rail bridge at another site just south of Mission connecting to the Mission-Hidalgo line. This proposal apparently has been approved and construction of the bridge is expected to begin once financing is secured. If the bridge is approved, the City of Mission plans to construct an industrial park adjacent to the rail line.

The Mexican oil pipeline as presently planned will end 70 miles south of Reynosa, Mexico, and is now under construction. It has been proposed that the line be extended to Reynosa, which is just across the border from Hidalgo. The present rail right-of-way has been proposed for a gas or oil pipeline to join the Mexican oil fields to the U.S. Extension of the pipeline might bring new petrochemical plants to the border. Such plants might be large rail users.

b. Current and Projected Rail Freight Operations and Traffic

1. Current Rail Operations

Service is provided on an "on call" basis. Typically, three-to-six cars either originate or terminate in Hidalgo per week. There are large seasonal variations in rail use corresponding to the harvesting of produce and periods of capital expansion.

2. Rail Users

Agricultural rail use in the short-term should remain constant or decline slightly, excluding annual variations due to the effect of weather conditions on crop production.

Rail traffic attributable to those involved in international trade could increase 30% between 1977 and 1980, if monetary exchange rates remain relatively stable. Rail use is expected to increase due to general economic growth within Mexico, spurred partly by growth within the City of Reynosa, located directly across the border from Hidalgo. Reynosa's population is larger than that of McAllen, Texas.

The above projections of future traffic are dependent upon fuel costs not rising significantly, an adequate supply of trucks (a long-standing problem within the area), and the relative cost of truck and rail transportation remaining constant. Table 1 shows both historical and projected rail use. Rail use might increase significantly over the figures shown, should one or more of the special projects such as the international rail bridge be completed, or should a major rail user locate in or near to the McAllen Foreign Trade Zone.



V. ANALYSIS OF THE IMPLICATIONS OF ABANDONMENT ON THE TRANSPORTATION NEEDS OF THE STATE

a. Relationship of the Line Segment and its Traffic to the State System and its Rail Traffic

The rail segment is designated as MP 211 in the U.S. Department of Transportation Final Standards, Classification and Designation of Lines of Class I Railroads in the United States. It is a Category B branch line carrying less than one million gross tons annually, and connects with Mo-Pac lines MP 291, MP 217, and MP 210, all of which form part of the Category A branch line (1-5 million gross tons) between Mission, Harlingen, and Robstown (near Corpus Christi). In turn, these lines connect with Mo-Pac's Category A Main line serving the Gulf Coast of Texas.

b. Relationship of the Line Segment to Highways, Waterways, and Other Modes of Transportation

Hidalgo County is served by the excellent state and federal highway system. Rail service is provided by the Missouri-Pacific and Southern-Pacific Railroads. This, plus the highway system, provides major links to the Gulf Coast and to the ports of Harlingen, Brownsville, and Corpus Christi; in addition, there are a number of bus lines and motor freight services. Table 6 shows the transportation facilities and services available to communities in the McAllen-Pharr-Edinburg BEA Regional Area. Figure 2 shows the major transportation routes in the County.

U.S. Highway 281 North connects Hidalgo with U.S. 83, the major East-West highway in the region, and McAllen, Texas, Highway 281 also connects Hidalgo with Brownsville in the east.

c. Special Considerations

The only special considerations are the potential developments discussed in more detail in Section IV.

TABLE 6

**TRANSPORTATION FACILITIES AND SERVICES AVAILABLE
IN THE MCALLEN-PHARR-EDINBURG BEA REGIONAL AREA**

TRANSPORTATION FACILITIES SERVICES	CITY																			
	Alamo	Brownsville	Donna	Edcouch-Elsa	Edinburg	Harlingen	Hidalgo	La Feria	McAllen	Mercedes	Mission	Pharr	Port Isabel	Raymondville	Rio Grande City	Rio Hondo	Roma	San Benito	San Juan	Weslaco
1. Railroad Trackage	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X		X	X	X
2. Trailer-On-Flat-Car Ramp		X			X	X			X											
3. Cold Storage Warehouse		X			X				X											
4. Dry Storage Warehouse		X				X	X		X											X
5. Small Parcel Carriers	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6. Air Freight Terminals		X				X			X											
7. Barge Facilities		X				X							X			X		X		
8. General Commodity Truck	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
9. Tank Truck	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
10. Household Goods, Truck	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
11. Oil Field, Heavy Hauler Truck	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
12. Refrigerated Truck (Regulated)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
13. Refrigerated Truck (Exempt)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
14. Steamship, Agents Service		X																		
15. International Freight Forwarders		X					X													
16. Customs House Brokers		X					X													
17. U.S. - Mexico Border Crossing		X					X								X		X			
18. Foreign Trade Zone									X											
19. Technical Assistance Advice	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X



VI. RELATIVE ECONOMIC, SOCIAL, ENVIRONMENTAL, AND ENERGY COSTS AND BENEFITS RESULTING FROM THE SELECTION OF ALTERNATIVES

a. Identification of the Alternatives

At present the Mission-Hidalgo line serves businesses engaged in produce processing and international border trade. Thus, the direct impacts of the possible abandonment of the line are that Mexican produce processors in Hidalgo would lose access to a back-up means of transportation and the volume of international trade conducted in Hidalgo could be reduced. The longer-term and probably more significant impact would be the possible loss of economic growth within the region that seems likely to expand employment opportunities and the volume of rail traffic.

One alternative to abandonment was judged to merit serious consideration: continuation of service on the Mission-Hidalgo line. Because financial performance of the line is presently marginal, this alternative could require provision of a temporary operating subsidy to offset any operating losses experienced by the Mo-Pac. The analysis presented in Chapter II indicates that current traffic levels are sufficient to provide a marginal profit. However, inclusion of a reasonable return on value of investment and other considerations in the actual negotiation of a subsidy amount would probably result in a deficit.

Any continuation subsidy, should one prove to be necessary, would be justified by the expectation of a significant enough increase in rail traffic to achieve long-term viability for the Mission-Hidalgo line.

b. Economic, Social, Energy and Environmental Costs and Benefits

Table 7 compares the likely impacts of abandonment of the Mission-Hidalgo line with those alternatives to abandonment considered. The specific economic, energy, environmental and community impacts presented in the table include:

- Employment--Net change in employment resulting from the loss of jobs in businesses adversely affected by abandonment less the increase in jobs due to additional workers employed in trucking (or other activities).
- Payroll--Net change in payroll estimated to be associated with the change in employment.
- Unemployment--Net change in unemployment anticipated as a result of the abandonment.
- Transportation Costs--Additional costs of transporting goods by alternative mode (e.g., truck) to the nearest rail head, including annualized capital costs for new transportation facilities such as trucks and loading docks.
- Investment-- Investment lost (especially in recently constructed rail facilities) and future investment that would not be made should rail service be abandoned.
- Taxes--Local taxes lost (or in the long term, foregone), due to abandonment of the rail line, closing of certain plants, or decisions to cancel planned investment.

TABLE 7

SOCIOECONOMIC IMPACTS OF ABANDONMENT OF THE
MISSION-HIDALGO RAIL SEGMENT

	<u>ANNUAL IMPACT</u>	
	<u>Abandonment</u>	<u>Alternative</u>
<u>ECONOMIC IMPACTS</u>		
<u>Employment Changes</u>		
Direct employment		
Current	-1	0
Future	-1	0
Unemployment		
(Number)	1	0
(Rate)	0	0
Payroll ¹		
Current	\$ 8,000	0
Future	\$ 8,000	0
<u>Transportation Costs¹</u>		
Additional cost of transporting goods		
Current	\$124,500	0
Future	\$156,500	0
Additional cost of facilities and equipment		
Current	\$ 5,000 ²	0
Future	\$ 5,000 ²	0
<u>Investment¹</u>		
Amount of investment "lost" (companies)		
Current	0	0
Future (foregone)	0	0
<u>Taxes¹</u>		
Amount of local taxes "lost" (companies)		
Current	0	0
Future	0	0
Amount of railroad taxes "lost"		
Current	-\$ 3,122	0
Future	-\$ 3,122	0
<u>Other Public Costs¹</u>		
Net change in unemployment benefits	0	0
<u>ENERGY IMPACTS</u>		
Net change in fuel consumption (gallons/yr)		
Current	1,800	0
Future	2,300	0

TABLE 7 (continued)

ENVIRONMENTAL IMPACTS	ANNUAL IMPACT	
	<u>Abandonment</u>	<u>Alternative</u>
<u>Net change in emissions (pounds/yr)</u>		
<u>Current</u>		
HC	38	0
NO _x	666	0
CO	453	0
SO _x	33	0
Particulates	17	0
<u>Future</u>		
HC	51	0
NO _x	851	0
CO	575	0
SO _x	44	0
Particulates	23	0
<u>Impact on Air Quality</u>	Negligible	0
COMMUNITY IMPACTS		
<u>Change in Population</u>	Minor	0
<u>Change in Development Potential</u>	Possibly significant	0
SUBSIDY COSTS		
<u>Operating Subsidy</u>	0	0 ³
<u>Capital Subsidy</u>	0	0

¹ All dollars are 1977 constant dollars.

² Annual cost of \$50,000 of capital equipment depreciated over 10 years.

³ Although the analysis in Section II shows a present operating profit of approximately \$16,400, the inclusion of return on investment and other considerations might indicate the need for an operating subsidy.

- Other Public Costs--Increase in unemployment compensation.
- Energy--Net change in fuel consumption due to a shift to alternative transportation modes.
- Environmental Effects--Change in air emissions such as increase in hydrocarbons, nitrous oxides, carbon monoxides and particulates due to change in fuel consumption resulting from modal shift.
- Community Effects--Change in development potential and population that is likely to occur in the Impact Area as a result of the cumulative effects of abandonment.

If rail service were abandoned and no mitigating measures taken, the short-term profitability of several local companies could be affected due to their absorbing all, or part, of the presumed added transportation cost. These added costs are estimated at around \$125,000-\$157,000 annually according to the rail users themselves. The figure may be overstated, but insufficient information was available to either confirm or refute this estimate. Firms affected by the rail abandonment claim they would have to invest approximately \$50,000 in new trucks and forklifts.

Within the last several years, demand for rail service has declined. This has been due to the shift to trucks as the major method of conveyance for a number of commodities and the devaluation of the peso. But, rail use has since stabilized and is expected to grow 25% between 1977 and 1980.

Most present rail users of the Mission-Hidalgo rail line are occasional or seasonal users who use rail as a secondary means of transportation. Their growth and/or expansion is not dependent upon the existence or continuation of service. Only two current rail users stated that they would be affected significantly by discontinuance of service, but both of these felt that they would be able to adapt.

One of the three principal customs brokers in Hidalgo stated that 30% of its business was rail-related. Some of this business might be lost to brokers in either Brownsville and/or Laredo as a result of an abandonment, but employment would not be curtailed. The firm would still be able to offer rail service, via the McAllen rail head, at an additional cost to the customer. It is also possible that certain items previously transported by rail could be diverted to truck transportation for the full length of their journey.

The local feed and seed dealer felt that the firm would be seriously affected. The costs of unloading would rise, both because of higher motor carrier unit costs and because trucks must be unloaded quickly. The dealer now has three days to unload a railcar without demurrage charges, whereas truck use would necessitate occasionally hiring part-time workers for unloading. The dealer doubted if this added cost could be passed on to the customers. If this firm closed down, three people would become unemployed.

Offsetting this unemployment of three workers is the possibility that at least two other people would have to be hired to handle the added truck traffic at the various local firms that use rail service. This would result in a net loss of one job. However, the two new employees would represent increased costs to those firms.

Abandonment of the rail line would result in some increased local consumption of fuel, due to greater use of trucks for pick up and delivery of materials previously shipped by rail. In the long run, the shift of some activities from Hidalgo to McAllen would have a minor offsetting effect.

Abandonment of the rail line would mean that around 15,000 tons of commodities would have to be transported by truck--at least the 8 miles to McAllen, if not to their final destination. This would probably mean an additional 624 truck shipments annually (two to three per day) and an annual total of over 120,000 truck ton-miles.

No marked effects on the environment or water quality can be identified beyond the small increased use of the local highways for the distribution of goods. Approximately an additional 120,000 ton-miles of truck traffic would be generated annually, with attendant emissions.

The loss of rail service would probably deter some of the industrial development planned for the Hidalgo area. One company intending to supply equipment to the petroleum industry is known to be negotiating to build a plant on a site adjacent to the Foreign

Trade Zone; this plant would employ an estimated 100 persons and generate on the order to 300 carloads of rail traffic. This and other developments related to the International Rail Bridge and the construction of a Mexican oil pipeline could be seriously affected by the abandonment of the Mission-Hidalgo rail line.

As shown in Table 7, all of the immediate and longer term impacts on current rail users and the communities served would be avoided under the continuation of service alternative. No subsidy cost is shown because any actual subsidy would be subject to negotiation and would include return on investment and other considerations not reflected in the current operating profit of \$16,400 calculated in Chapter II.

VII. EVALUATION OF METHODS OF ACHIEVING ECONOMIES IN THE COST OF
RAIL SERVICE OPERATIONS ON LINES ON WHICH SERVICE WILL BE
CONTINUED

Service on this rail segment is presently being provided on an "on call" basis. One means of achieving some economies without discontinuing rail service would be to set a minimum weight that would be moved on the line at any one time. Coupled with this change, or instead of it, Mo-Pac might also defer all but essential maintenance on the rail line. The trackage is in good condition now; thus, the level of maintenance required to keep it operating at a safe level should be minimal. Of course, these methods could be considered as the first stage of a phase-out of service on the line and ultimately as false economy.

VIII. COMPETITIVE OR OTHER EFFECTS ON OR BY PROFITABLE RAILROADS

a. Competition

The transfer of most service from Hidalgo to the McAllen and Mission rail heads would not affect the competitive condition existing between the Mo-Pac and the other rail lines in the region. The amount of traffic diverted to other modes of transport is a minor amount of the total handled by the Mo-Pac system.

b. Profitability

Abandonment of the line would result in only a small change in the profitability of the Mo-Pac. Mo-Pac is presently profitable on a system-wide basis.



IX. CONSIDERATIONS RELATING TO RAIL BANKING

Local officials interviewed indicated that any one or all three of the following projects could be jeopardized. Two are potential developments--the Mexican oil pipeline with its associated petrochemical plant(s) and the Mexican-American rail bridge--while the third--the McAllen Foreign Trade Zone and related industrial development--already is in existence and is a potential future rail user.

If Hidalgo believes that the potential for future rail service to Hidalgo must be preserved and that it will lose valuable economic development opportunities, it might consider rail banking by using its own funds to purchase the right of way and maybe even the track.

X. DESCRIPTION OF THE ALTERNATIVES EVALUATED TOGETHER WITH AN ANALYSIS OF THE RELATIVE ADVANTAGES, DISADVANTAGES AND COSTS ASSOCIATED WITH EACH ALTERNATIVE

a. Brief Description of Alternatives

One alternative to abandonment has been evaluated: service continuation through provision of a temporary operating subsidy if needed.

b. Movement of Existing and Future Traffic by Rail and Alternative Modes

The line segment under consideration is effectively a spur from Mission and, therefore, all rail traffic must be routed via Mission. If rail service is continued, it will be routed from Mission to Hidalgo as before. If the abandonment does take place, transportation services to existing rail users would be provided by truck--the only alternative available in this area.

Traffic by truck serving the current rail users generally moves along U.S. Highways 83 and 281 and State Highway 107. This pattern is not expected to change in the future.

c. Identification of Costs Associated with Alternative

An operating subsidy including a reasonable return on value of assets might be required. If a projected increase in rail traffic materializes, no subsidy may be required.

d. Selection Process

The continuation of service on the Mission-Hidalgo line is the only reasonable and practical alternative to abandonment. Significant new industrial developments are planned for the Hidalgo area related to trade with Mexico and the construction of a Mexican oil

pipeline and an international rail bridge, and these would be jeopardized by loss of rail service. The generally good condition of the rail line and its present marginal profitability, coupled with a favorable outlook for substantial increases in rail traffic, suggest that any public assistance required would be small.

Should the Mo-Pac proceed to abandon the Mission-Hidalgo line, this rail line is recommended for inclusion in the Certified Program of Projects, pending a cost-benefit analysis of all possible projects being considered. In the meantime, it is recommended that the Railroad Commission of Texas monitor the volume of rail traffic on the line and the status of the numerous development projects being undertaken in the Hidalgo area.

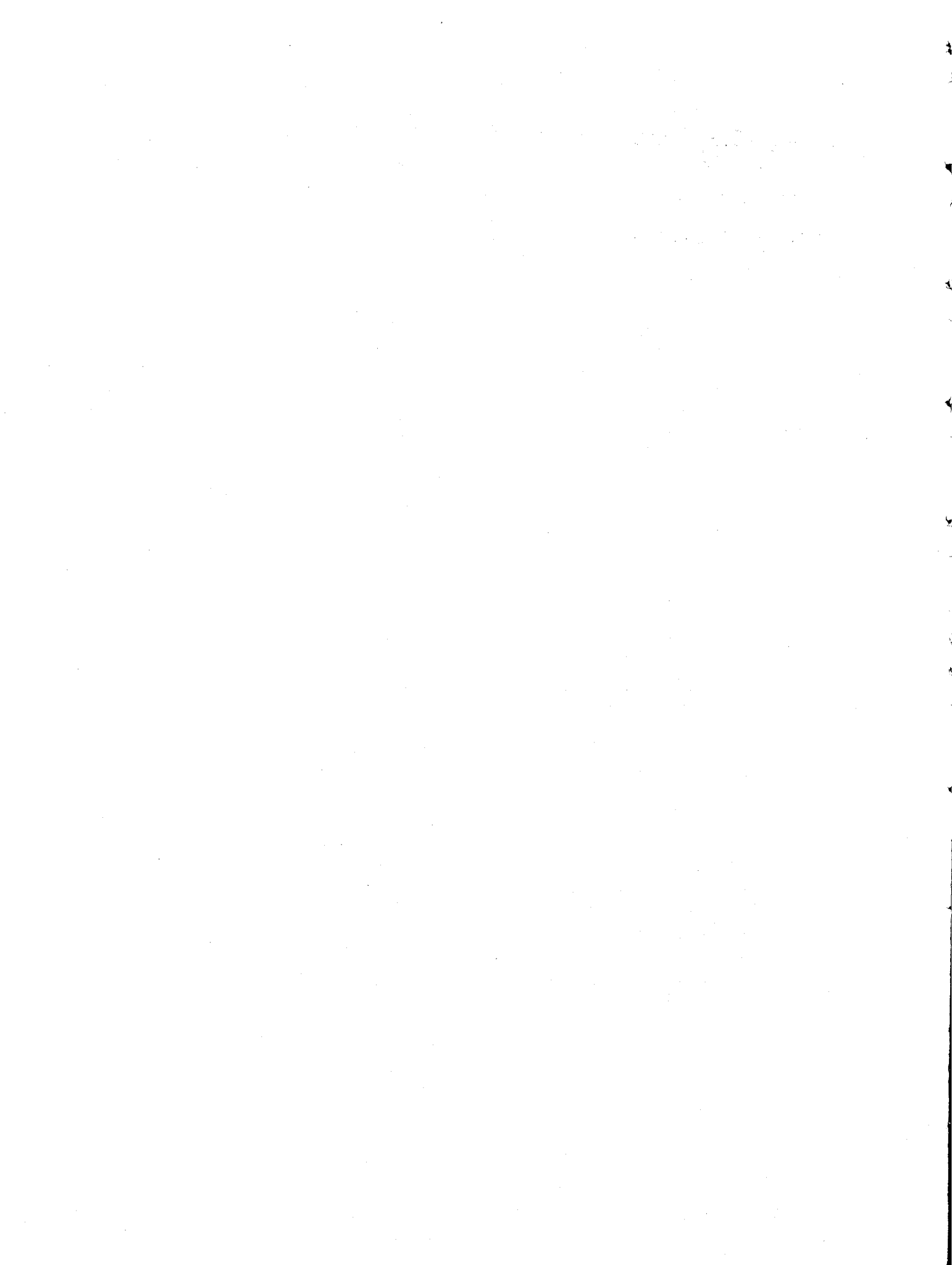
XI. CONCLUSION OF THE STATE AS TO WHETHER THE ALTERNATIVE SHOULD
BE SELECTED FOR FEDERAL OR STATE ASSISTANCE

Discontinuance of rail service on the Mission-Hidalgo rail line would have its most significant impact on the prospects for rail-dependent industrial development being attracted to the Mission-McAllen-Hidalgo area by a proposed international rail bridge to Mexico and pipeline and petrochemical projects underway in Reynosa, Mexico. The amount of public assistance required, if any, should be small.

Therefore, the Mission-Hidalgo line is recommended for inclusion in the Certified Program of Projects if an abandonment application is filed and pending a cost-benefit analysis of possible projects. The Railroad Commission of Texas will monitor rail traffic and developments planned for the area served by the line.

XII. STATEMENT OF THE STATE'S FUTURE ROLE ON EXPIRATION OF FEDERAL ASSISTANCE

No State role is presently contemplated upon expiration of Federal assistance, should a temporary subsidy be obtained in order to continue service on the line.



Segment Analysis
MISSION-SPAULDING

RAILROAD COMMISSION OF TEXAS

With

Technical Assistance

of

Arthur D. Little, Inc.

October 1978

Revised January, 1979

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PART A. SUMMARY

1. Introduction

The Missouri Pacific Railroad Company (Mo-Pac) has indicated that service between Mission and Spaulding, between Mileposts 42 and 56.2, is potentially subject to abandonment. [This is a Category 2 designation in accordance with 49 CFR 1121.20(b)(2).] Service between Spaulding and Rio Grande City, between Mileposts 56.2 and 73.3, the subject of a separate report, is subject to an application for abandonment within 3 years.

The subject rail segment begins at Mission, Texas (population about 15,000)--the end-point of Mo-Pac's main east-west rail line in the region--where it branches from the main line and proceeds west through farmland to Spaulding. The segment is located in Hidalgo County. Communities that would lose rail service located along the segment in question include: Perezville, Chihuahua, Penitas, La Joya, Havana, and Cuevitas (Spaulding).

2. Traffic Characteristics

Rail service is provided on an on-call basis. The line is in good to very good condition. Trains operate at speeds of 25-30 miles per hour. In 1977, an estimated 807 carloads, most of which was originating traffic, moved over this segment. Farm products, drilling mud, fertilizer, and sand and gravel are the principal commodities transported over this line.

3. Economic Characteristics

a. Economic Activity

The area is heavily agricultural. Hidalgo County farms are major producers of vegetables and citrus crops, which are shipped to national and international markets. Processors of produce grown in the region and in

Mexico constitute a large portion of the manufacturing activity in the County. (Textile manufacturing is the major manufacturing activity). Trade and services provide the largest share of employment due, in significant part, to the influx of tourists and shoppers from Mexico.

The region is projected to grow at about one-third the rate of Texas as a whole, although energy considerations may increase projected growth somewhat. It is unlikely that there will be significant changes in economic activity and in potential rail traffic.

b. Rail Users

Only five shippers use rail service at all; two of these account for 85% of the total shipments. The major users are Halliburton Services, Fertilaid Systems, Inc., Bannworth Brothers, and The Fordyce Company. Bates Power Station is an occasional user. Direct employment associated with the regular shippers amounts to 210 full-time and 350 part-time; the direct employment of Bates Power Station is 37.

Due to the relatively low potential for new economic development in the region, changes in rail traffic on the line are likely to be related to the current rail users only.

c. Importance of Rail to Users

None of the rail users is totally dependent on the rail service proposed for discontinuance. One firm--Fertilaid Systems, Inc.--has indicated that a planned expansion of its facilities is dependent on continued rail service; the facility would be closed if the expansion were not made. U.S. Highway 83 roughly parallels the rail line, linking rail users with the major cities of the region--McAllen, Harlingen, San Benito and Brownsville. Cessation of service would remove an alternative mode of transportation from present users who often face an inadequate supply of trucks.

This would particularly affect the region's important produce and sand and gravel industries. Lack of rail service might limit future industrial development.

4. Impacts of Abandonment

The direct impact of abandonment on this rail segment would not be very significant. Some users who currently rely on rail would incur some increase in transportation costs for shipments switched to truck.

Eight full-time jobs (at Fertilaid Systems, Inc.) and the potential for 22 additional jobs would be lost due to the planned relocation of the plant in the event of an abandonment. However, the present and potential jobs would probably remain in the County with no relocation of personnel because the facility would probably be relocated near Mission. Two new jobs would be created as a result of increases in trucking.

The potential for future development west of Mission would be reduced somewhat due to the lack of rail service. The region's important sand and gravel operators and produce processors would have to rely on a single mode of transportation.

Four regular shippers would lose rail service: Halliburton Services, Fertilaid Systems, Inc., Bannworth Brothers, and The Fordyce Company. Bates Power Station, an occasional user, would also lose service.

5. Alternatives to Abandonment

The alternative to abandonment examined is continuation of service with a temporary operating subsidy if needed. The line is presently estimated to be profitable, but a small subsidy may be required in the future. The alternative would avoid the anticipated impacts of abandonment.

6. Inclusion in Certified Program of Projects

The preferred alternative for this segment is to continue service on the line, which is presently estimated to be profitable. However, in the future a small temporary operating subsidy may be required (if a return-on-investment element is included). This segment is recommended for inclusion in the Certified Program of Projects, pending a cost-benefit analysis of all possible projects.

PART B. DETAILED ANALYSIS

1. Description of the Line

a. Proposed Action

This analysis concerns the segment of rail line between Mission and Spaulding, which the Missouri Pacific Railroad Company (Mo-Pac) has designated as potentially subject to abandonment. [This is a Category 2 designation in accordance with 49 CFR 1121.20(b)(2).] Mo-Pac had given notice,¹ on December 30, 1976, that its rail line from Mission to Rio Grande City was potentially subject to abandonment (Category 2 designation). Subsequently, on March 31, 1978, the western portion of the line, between Spaulding and Rio Grande City (Mileposts 56.2 and 73.3), was reclassified as subject to an abandonment application within 3 years.² [This is a Category 1 designation in accordance with 49 CFR 1121.20(b)(1).] The eastern portion of the line, between Mission and Spaulding (Mileposts 42 to 56.2) retained the Category 2 designation (potentially subject to abandonment). Because of the two parts of the line having been classified differently, the Spaulding-Rio Grande City segment is examined in a separate report.

b. Description of the Rail Segment

The 14.2-mile segment in question here originates in Mission, Texas (population about 15,000) and runs to the west--principally through farmland--to Spaulding. Other communities located on or near the line include: Perezville, Chihuahua, Penitas, La Joya, Havana, and Cuevitas (Spaulding). The segment is located entirely within Hidalgo County. At Mission, the

¹Federal Register, Vol. 42, No. 62, April 1, 1977, Book 2, Part VII, P. 17731. See also: Letter from D.L. Manion, Vice President, Missouri Pacific Railroad Company to the Honorable Dolph Briscoe, Governor, State of Texas, dated December 30, 1976.

²Letter from D.L. Manion, Missouri Pacific Railroad Company.

segment branches off from the end-point of Mo-Pac's main east-west rail line in the region. This main line runs from Mission through Harlingen and, thence, to the Mo-Pac's coastal route running towards Corpus Christi and Houston. Figure 1 shows the location of the segment in relation to the Texas rail system. Figure 2 indicates the segment's location in Hidalgo County.

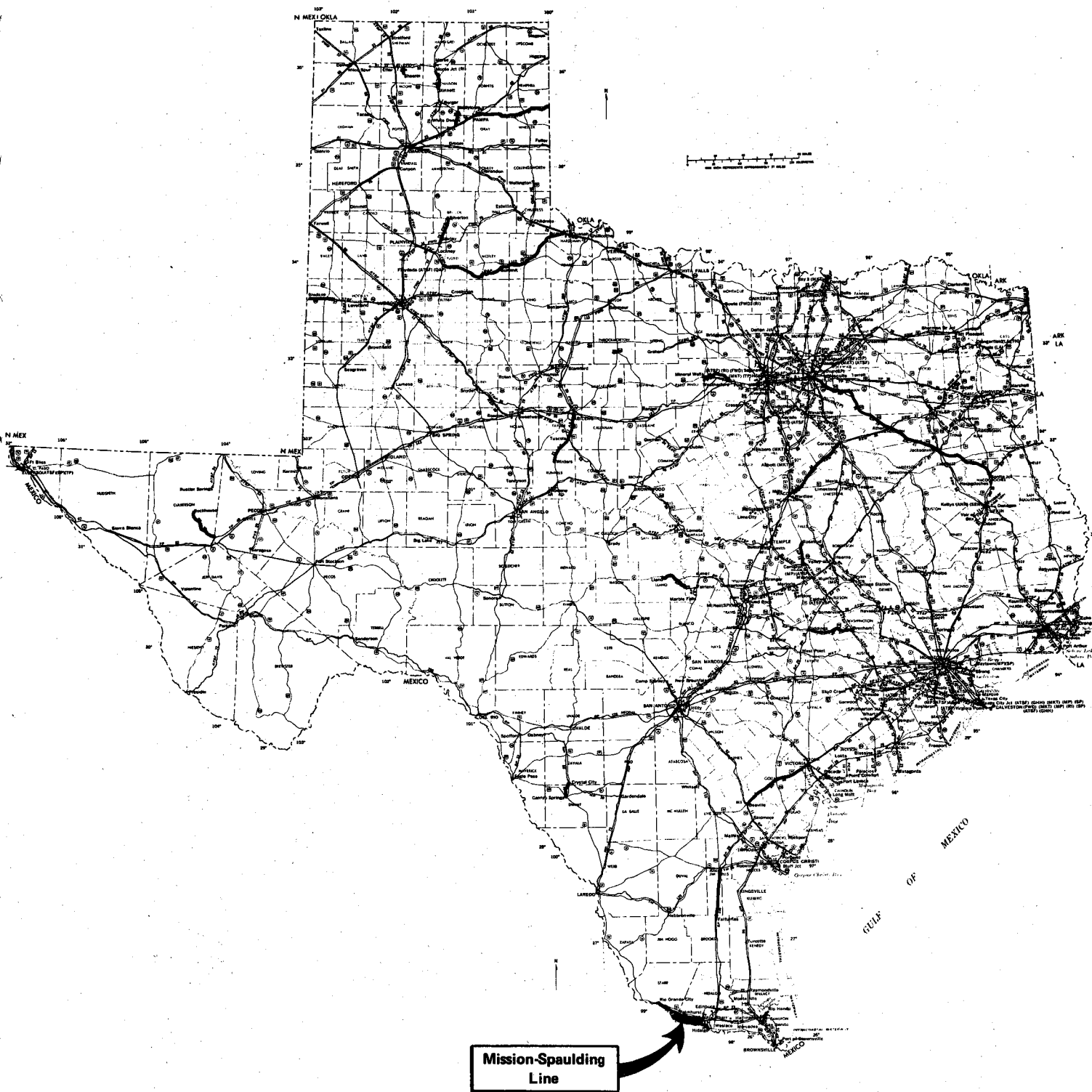
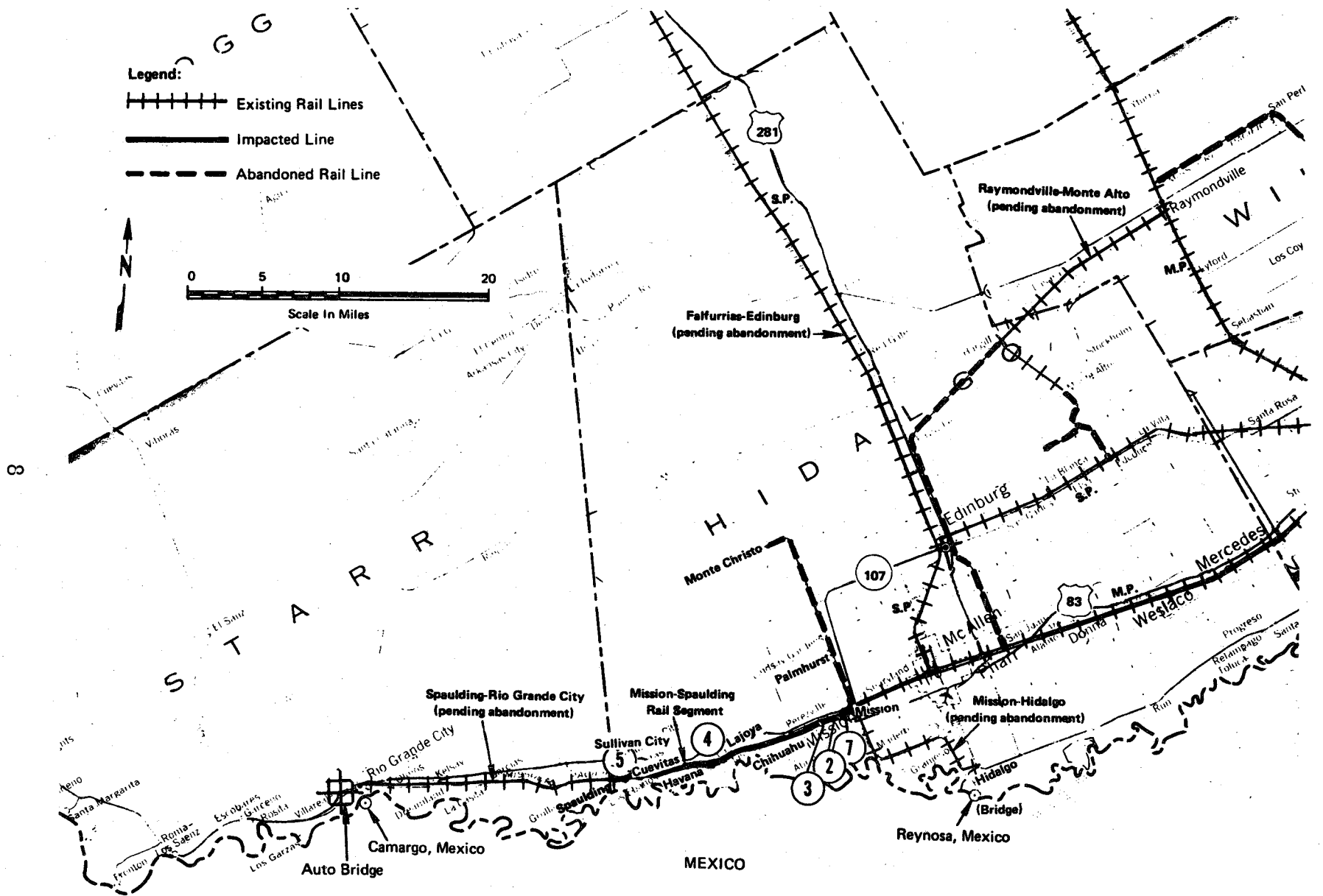


FIGURE 1 LOCATION OF MISSION-SPAULLING LINE IN RELATION TO THE TEXAS RAIL SYSTEM



Note: For Rail User Code, See Table 1.

FIGURE 2 LOCATION OF MISSION-SPAULDING LINE IN HIDALGO COUNTY

I. FREIGHT TRAFFIC AND CHARACTERISTICS OF RAIL USERS ON THE LINE

a. Freight Traffic

As indicated in Table 1, almost all freight originates rather than terminates on the subject line. There is no local traffic; carloads originating or terminating west of Spaulding technically bridge the subject line. Principal products shipped are produce, sand and gravel, and chemicals. The traffic volume was lower in 1977 than it was in 1973. Variations in crop production caused by changing weather conditions account for only a portion of this change. According to interviews with local rail users, a decline in traffic has occurred in the produce industry due to the inability of the railroad to guarantee delivery dates. Within the sand and gravel industry customer preference for truck delivery has assertedly developed as a result of inability to obtain rail cars.

b. Shipper Characteristics

The principal rail users and potential rail users that would lose service should the Mission-Spaulding rail line be abandoned are listed below in order of location running east to west. Their use of rail is summarized in Table 1:

- Halliburton Oilfield Services, Inc. - An oilfield service company which is expanding and employs 100 persons with a total annual payroll of \$1,450,000. Approximately 30% of all oilfield materials arrive by rail.
- Fertilaid Systems, Inc. - A fertilizer manufacturing company, which is presently considering expanding. This firm currently employs eight workers, with an estimated annual payroll of \$90,000. Rail service is considered to be an

TABLE 1

CARLOAD RAIL TRAFFIC ON THE MISSION-SPAULDING SEGMENT

1973, 1977, and 1980

Rail User Code ¹	Rail User	<u>Originating</u>			<u>Terminating</u>			<u>Total Traffic</u>			<u>ADL Estimate</u>
		<u>1973</u>	<u>1977</u>	<u>1980</u>	<u>1973</u>	<u>1977</u>	<u>1980</u>	<u>1973</u>	<u>1977</u>	<u>1980</u>	<u>1980</u>
1	Halliburton Services	0	0	0	51	78	97	51	78	97	97
2	Fertilaid Systems, Inc.	96	96	192	12	12	24	108	108	216	216
3	Bates Power Station ²	0	0	0	1	0	0	1	0	0	0
4	Bannworth Brothers ³	60	40	45	0	0	0	60	40	45	45
5	The Fordyce Company	911	580	580	1	1	2	912	581	582	582
	<u>Total</u>	<u>1,067</u>	<u>716</u>	<u>817</u>	<u>65</u>	<u>91</u>	<u>123</u>	<u>1,132</u>	<u>807</u>	<u>940</u>	<u>940</u>

Source: Interviews with rail users and Arthur D. Little, Inc. estimates.

¹Keyed to location on Figure 2.

²This power station might be converted to coal in the future.

³1977 was a poor year due to weather conditions; 1973 was an average year.

- important alternative transportation mode. Management reports that rail would be indispensable if the company were to expand.
- Bates Power Station - An electrical generating station owned by Central Power and Light and part of the Regional Power Grid. This company has not been a significant rail user and is not expected to become one. Thirty-seven persons are employed at this power station with an annual payroll of \$612,600.
 - Bannworth Brothers - Growers, processors and shippers of fresh produce, and one of the largest produce processors in the region.¹ The company employs 15 full-time workers and 350 part-time, with a total annual payroll estimated at \$1,000,000. Rail transportation is a secondary means of transport used in times of truck shortages.
 - The Fordyce Company - A mining and processing operation for sand and gravel. This company is one of two large sand and gravel operations in the region. It employs approximately 50 persons with an annual payroll of \$350,000. About 92% of all shipments are by truck.

In addition to these companies, there may be several others who use the rail line from time to time. Because these firms use rail only occasionally, the loss of rail service would not significantly affect them.

¹Two other processors of similar importance to the region are located at Rio Grande City--the end-point of the rail line.

II. REVENUES DERIVED FROM RAIL FREIGHT SERVICES AND THE COST OF PROVIDING THESE SERVICES

a. Revenues

A substantial level of traffic--some 807 cars--originates or terminates on the segment, although average hauls are estimated to be relatively short on the Mo-Pac system. As shown in the Revenue and Cost Estimation Sheet, revenues are estimated to total \$236,233. Although some bridge traffic is carried on the segment by reason of service to and from the Spaulding-Rio Grande City segment, no account was taken of this traffic. Bridge revenues would be based on a mileage pro-rate if they were considered. Thus, revenues are slightly underestimated.

b. Expenses

Maintenance of way expenses are estimated at \$24,154 and maintenance of equipment is \$35,664 as explained in the Revenue and Cost Estimation Sheet. Transportation expense of \$85,847 is the largest subtotal; the operating expense subtotal of \$145,665 represents a minimum estimated avoidable expense. Other items include estimated equipment rents and an allowance for working capital, based on the carrier's R-6 filing. Total expenses are an estimated \$191,856.

c. Operating Revenues and Breakeven

The line is estimated to return an operating profit of \$44,377. It is expected to continue to be at least slightly profitable since rail traffic is projected to increase in the next few years. No breakeven calculation was estimated, since the line is profitable. Mo-Pac reviewed a draft of the analysis and made no suggested changes in the operating results.

d. Available Data Sources

Systemwide Mo-Pac R-1 (all operations) and systemwide R-6 (designated branch lines) data were available. Carload traffic was based on field interviews. No separate segment R-6 worksheet was available. All other data were derived from field surveys, questionnaires or sources as noted.

REVENUE AND COST ESTIMATION SHEET

Line: Mission-Spaulding

Railroad: Mo-Pac Miles: 14.2

1977 Carloads & Tonnage:

807 cars (56.8 cars per mile); 57,338 tons

A. Revenues: \$236,233

1. Basis of estimate: System avg. revenue per net ton mile of \$0.0206 used to estimate revenue. Avg. haul est. @ 200 miles¹
[57,338 x 200 x \$.0206 = \$236,233].

2. Description of O&T or Bridge Traffic, Assumptions:

Technically, there is bridge traffic on this segment to the extent that beyond-points on the Spaulding-Rio Grande City segment are served. As a simplifying assumption, however, no bridge revenues have been estimated here.

B. Expenses:

1. Maintenance of Way \$ 24,154

Basis: Annualized m/w expense per mile is estimated @ \$1,701, based on R-6 data
[\$1,701 x 14.2 = \$24,154]

2. Maintenance of equipment \$ 35,664

Basis: System avg. m/e per net ton mile is \$.00311 [\$0.00311 x 57,338 x 200 = \$35,664]

3. Transportation:
On-branch \$ 7,458
Off-branch 78,389
\$ 85,847

Basis: Assumes 52 trains per year
On-branch transportation expense per locomotive unit mile is \$5.05.
[\$5.05 x (14.2 x 2) x 52 = \$7,458]
Off-branch transportation expense per net ton mile for system is \$.00737
[\$.00737 x 57,338 x 185.5 = \$78,389]

Operating Expense Sub-total¹ \$145,665

4. Estimated Taxes
Payroll \$ 11,941

Basis: Labor accounts for 48% of operating expense. Payroll taxes add 17% to labor cost.²
[\$146,333 x .48 x .17 = \$11,941].

Other-than-federal \$ 13,466

Basis: Other-than-federal tax expense in Texas estimated to avg. \$948.33 per mile of road (\$948.33 x 14.2 = \$13,466).

Tax Subtotal \$ 25,407

1. An average haul of 200 miles is used because most of the traffic is destined for or originates in Corpus Christi.
2. Includes an estimated \$3,933 Health and Welfare contribution on the basis of 5.6% labor costs.

5. Equipment Rents	\$ 13,179	<u>Basis:</u> Based on segment equipment rental expense per loaded car mile, of \$0.0816 [$\$0.0816 \times 807 \times 200 = \$13,170$].
6. Other Expenses	\$ 5,243	<u>Basis:</u> Pro-rate of other avoidable expenses as reported in R-6, based on segment share 14.2 mi) or carrier branch miles in R-6 (438.29) or .0331. Principal expense is working capital [$\$158,412 \times .0331 = \$5,243$].
7. Management Fee	\$ 2,362	<u>Basis:</u> 1% of gross revenue
EXPENSE TOTAL	\$191,856	
NET RESULT:	<u>\$ 44,377</u>	

III. REVIEW OF CONDITION OF THE RAIL PLANT, EQUIPMENT AND FACILITIES

a. History of the Line

The Mission-Spaulding trackage was originally laid in 1907 by Mo-Pac. In 1924, the line was extended to its current end-point--Rio Grande City. Mo-Pac continues to own and operate these segments (see Figures 1 and 2).

b. Description of the Layout of the Branchline Stations

The line runs west from Mission-Spaulding, paralleling U.S. Highway 83. There are no operational sidings on the Mission-Spaulding segment, except those used by the current rail users. There are no stations located along the segment. Several small trestles exist along the line. The segment runs through a rural area consisting of open land (some used for mining gravel) and farmland. Occasionally, the line passes near small colonias¹ or towns.

c. Physical Characteristics

The rail line between Mission and Spaulding can be characterized, based on spot visual inspections, as being in "good to very good" condition. The ballast consists of river gravel and covers approximately 50-100% of the ties. It is in good, clean condition. There is little or no visible misalignment of the rail line. The rail, itself, is a 90-pound line laid in 39-foot lengths with staggered joints originally rolled in 1913. There are approximately 15-19 ties per length of rail. The ties range from only 1 or 2 years old to 25 or more years old, but the majority are 10 to 25 years old. Approximately 25% of all ties inspected were defective in some manner. Three to five percent were split in such a way that they would no longer hold a rail spike. Two to six percent of the ties were rotted out.

¹A poor, rural, unincorporated community with 20 or more dwelling units where home ownership is typical.

Six percent of all of the ties had very loose, raised spikes. Many of the ties were split lengthwise, though they would still hold a rail spike. Apparently, some sections of the rail line were rebuilt after a 1968 hurricane.

The trestles located along the line appear to be in excellent condition. Most of them have been worked on recently, and many have been rebuilt. All of the existing sidings are in good condition.

IV. ECONOMIC AND OPERATIONAL ANALYSIS OF PRESENT AND FUTURE FREIGHT SERVICE

a. Economic Overview

1. Definition of Area of Impact

The Mission to Spaulding segment of the Missouri Pacific Railroad Company (Mo-Pac) is entirely within the southwestern section of Hidalgo County. This County is located in the McAllen-Pharr-Edinburg BEA Regional Area.¹

Hidalgo County, located in the southernmost tip of Texas, in the region known as the Lower Rio Grande Valley, is bordered to the south by the country of Mexico and to the west and north by Starr and Brook Counties, respectively. To the east are Cameron and Kenedy Counties (see Figure 3). The major cities in the County are McAllen, Edinburg, and Mission.

The abandonment of the Mo-Pac Mission-Spaulding line would most seriously affect the existing rail users and their employees, most of whom reside in small colonias or communities along the rail line. Others live in Mission and McAllen. Abandonment would remove all direct rail service to the existing users and require the transportation of goods to and from the Mo-Pac line in Mission or McAllen, Texas, or to and from their point of destination/origin by truck. Mission (population 15,125) would not be severely affected, as it would continue to be served by the main Mo-Pac rail line.

2. Overview of Regional Trends and Projections

The area of direct impact if the rail segment is abandoned is Hidalgo County, but a significant portion of originating and terminating traffic is generated by or delivered to companies in a broader four-county area, corresponding to the McAllen-Pharr-Edinburg BEA Regional Area, which includes two

¹U.S. Department of Commerce and Agriculture. OBERS Projections of Economic Activity in the United States, Volume II. BEA Economic Areas. Washington, D.C., 1972.

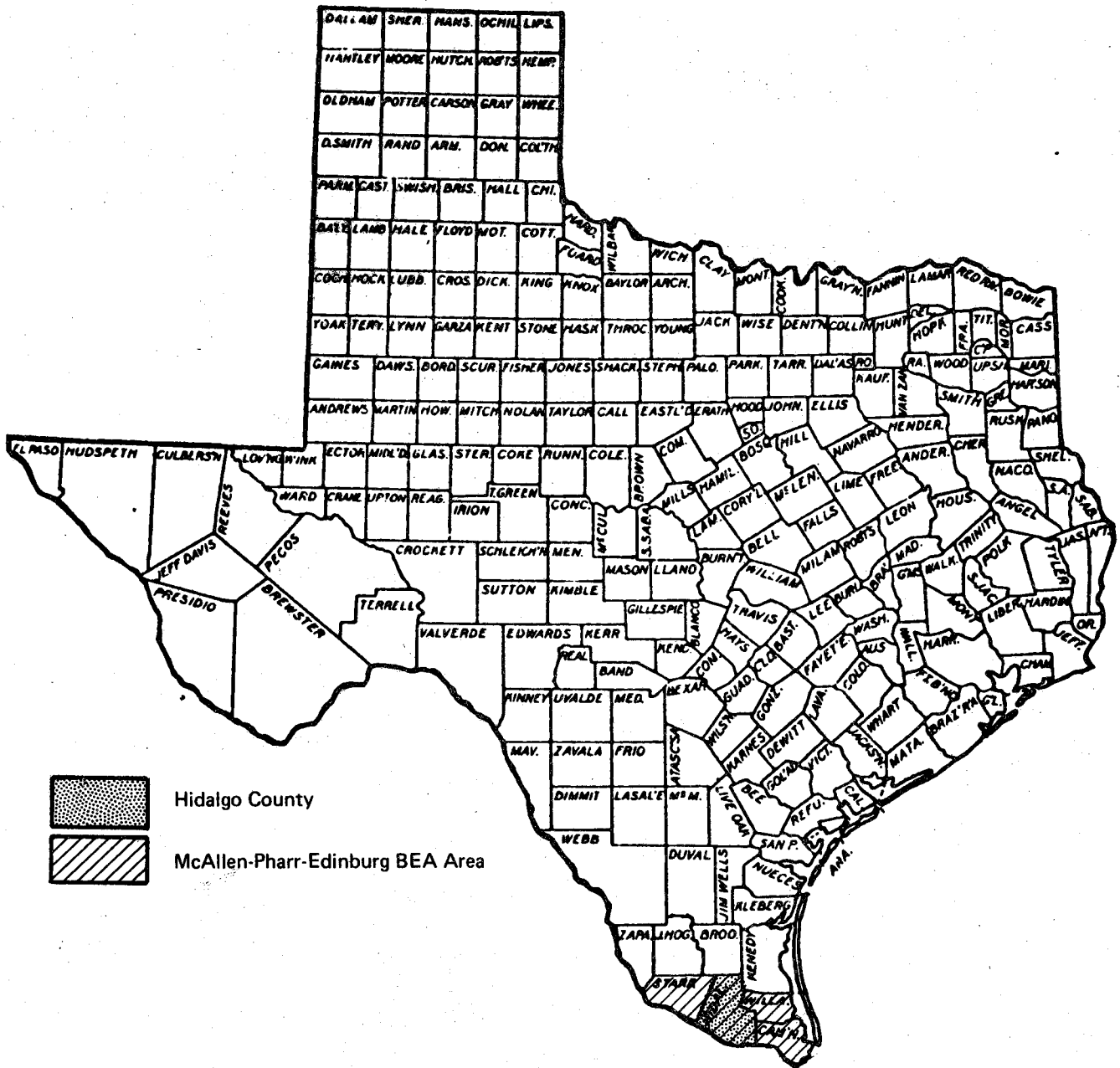


FIGURE 3 LOCATION OF HIDALGO COUNTY WITHIN THE STATE OF TEXAS AND THE McALLEN-PHARR-EDINBURG BEA AREA

Standard Metropolitan Statistical Areas (SMSA's)--McAllen-Pharr-Edinburg and Harlingen-San Benito-Brownsville. Because of this broader area of impact and influence, population and economic trends in both Hidalgo County and the McAllen-Pharr-Edinburg BEA Regional Area are discussed below.

Hidalgo County had a 1970 population of 181,535 and a 1975 population of 227, 853 (see Table 2). The area west of Mission, where the rail segment is located, is rural with a few, small residential communities (250-300 people) scattered along U.S. Highway 83. Population in the County as a whole is forecast to grow to at least 240,000 by the year 2000. The forecast growth rate--18.4% for the 1980-2000 period--is about one-half the rate forecast for the State of Texas as a whole, but recent developments not considered in the projections indicate that population growth could be made more significant.

The BEA Area had a population in 1970 of 335, 180. The area is projected by OBERS to grow at a slower rate than the State (0.5% vs. 1.6%). However, since 1970, rapid population growth has occurred in both Hidalgo and Cameron Counties, centered around McAllen, Harlingen and Brownsville. The two SMSA's (McAllen-Edinburg-Pharr and Harlingen-San Benito-Brownsville) have been among the fastest growing in the nation during the last 5 years. The rapid population growth rate is due to an influx of long-term tourists and immigration of Mexicans. These recent trends indicate that the OBERS projections may be too conservative.

Total employment in Hidalgo County in 1975 amounted to 45,000 (see Table 3). The bulk of employment in the County is in trade and services. Increases in the number of shoppers from Mexico have resulted in large retail sales volumes in the County.

TABLE 2
POPULATION GROWTH
1900-1975

<u>Year</u>	<u>Hidalgo County</u>	<u>Town of Mission</u>	<u>% of Hidalgo</u>
1900	6,837	--	--
1910	13,728	--	--
1920	38,110	3,847	10.1%
1930	77,004	5,120	6.6
1940	106,059	5,980	5.6
1950	160,446	10,756	6.7
1960	180,904	14,081	7.8
1970	181,535	13,043	7.2
1975	227,853	16,074	7.1

SOURCE: Texas Almanac, 1978-1979. A.H. Belo Corporation,
Dallas, Texas, 1977.

TABLE 3

EMPLOYMENT IN HIDALGO COUNTY, 1970 AND 1975

	<u>1970</u>	<u>1975</u>
Mining	651	575
Contract Construction	1,894	3,129
Manufacturing	2,861	3,945
Public Utilities	1,329	1,493
Wholesale Trade	5,533	7,650
Retail Trade	8,543	10,734
Finance, Insurance, Real Estate	1,245	1,637
Services	4,778	5,672
Other	<u>227</u>	<u>803</u>
SUBTOTAL ¹	27,061	35,638
Agriculture ²	<u>9,418</u>	<u>9,418^e</u>
GRAND TOTAL	36,479	45,056

¹U.S. Department of Commerce, Bureau of the Census. County Business Patterns, Texas. CBP-75-45, Washington, D.C., 1976. (Excludes self-employed persons, farm employees, domestic workers, and railroad employees. Data are reported for county of employment.)

²U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics, Texas. PC(1)-C45 Texas, April, 1972. (Data on agricultural employment are not available for 1975 from the Census; therefore, the 1970 estimate is used. With generally declining agricultural employment, it is likely that this somewhat overstates agricultural employment in 1975.)

e = estimated.

Agriculture, which accounted for approximately 18% of the County's employment in 1975, is an important factor in the County's economy. Vegetables and citrus crops represent the principal agricultural crops (see Table 4). Hidalgo County produced 25.6% of the State's vegetables in 1971 and 27.9% in 1976, even though vegetable production in the County declined 4.5% during the 1971-1976 period (see Table 5). A large proportion of the State's orange and grapefruit production is concentrated in the BEA Area, with Hidalgo County, and particularly the communities of Mission and McAllen, the major centers.

In recent years, sugar cane has been introduced into the Region. It has done well, and its importance in Hidalgo County is expected to increase. The production of large volumes of crops in Hidalgo County and the surrounding region (including Mexico) has led to a number of plants that process the crops. Produce processors account for a large portion of the County's manufacturing activity although much of the employment is seasonal. Textile manufacture is another significant manufacturing activity, accounting for 23% of the County's manufacturing employment.

Interviews with local industrial development agencies indicate that, since the 1973 change in oil prices, there has been a spurt in industrial development in the BEA Regional Area due to warm climate and availability of oil and natural gas. This growth has been concentrated in Hidalgo and Cameron Counties, in particular, their respective population centers (e.g., Mission, McAllen, Edinburg, Pharr, Harlingen and San Benito). If this trend continues, employment in manufacturing could be more important than suggested in the projections in Table 6. Increased trade opportunities with Mexico could also help to develop manufacturing to a greater extent than suggested in the projections.

TABLE 4
CROP PRODUCTION IN HIDALGO COUNTY
1971-1976

<u>Crops</u>	Acres Harvested	
	<u>1971</u> ¹	<u>1976</u> ²
Upland Cotton	91,800	51,900
Wheat	0	2,500
Sorghums--Grain	177,000	205,700
Silage	1,300	
Hay	2,800	800
Corn--Grain	17,300	9,400
Silage	2,000	4,700
Sugar Cane	0	25,000
Alfalfa Hay	1,500	*
ALL CROPS	<u>293,700</u>	<u>300,900</u>

Vegetables

Broccoli	1,500	600
Cabbage	9,500	9,600
Cantaloupe	6,600	5,900
Carrots	12,600	10,500
Cauliflower	*	130
Cucumbers	2,100	2,350
Sweet Corn	1,700	*
Honeydew Melons	700	1,500
Lettuce	3,700	2,000
Onions	11,100	14,800
Green Peppers	2,700	3,000
Tomatoes	4,700	1,700
Watermelons	2,400	2,100
Irish Potatoes	<u>1,800</u>	<u>1,800</u>
ALL VEGETABLES	63,900	61,035

Citrus

	Boxes	
Grapefruit ³	8,180,000	8,600,000
Oranges ⁴	5,510,000	5,490,000

¹ U.S. Department of Agriculture and Texas Department of Agriculture. 1971 Texas County Statistics. Bulletin 92, August 1972.

² U.S. Department of Agriculture and Texas Department of Agriculture. 1976 Texas County Statistics. Bulletin 152, September 1977.

³ Number of 80-pound boxes.

⁴ Number of 90-pound boxes.

*Production not disclosed to protect identity of individual operations.

TABLE 5
CROP PRODUCTION IN HIDALGO COUNTY
AS A PERCENT OF TOTAL STATE PRODUCTION

<u>Crops</u>	<u>1971</u>	<u>1976</u>
<u>Field Crops</u>		
Upland Cotton	2.0%	1.0%
Wheat	0.0	*
Sorghums--Grain	3.0	3.6
Silage	1.2	0
Hay	0.5	2.6
Corn--Grain	3.1	*
Silage	2.4	4.7
Sugar Cane	0.0	72.1
Alfalfa Hay	0.7	0
ALL CROPS	1.7	1.4
<u>Vegetables</u>		
Broccoli	71.4	80.0
Cabbage	46.3	50.2
Cantaloupe	34.0	37.1
Carrots	49.4	52.2
Cauliflower	*	60.0
Cucumbers	19.3	34.6
Sweet Corn	34.7	77.3 ^e
Honeydew Melons	29.2	42.9
Lettuce	42.5	42.6
Onions	45.7	48.4
Green Peppers	39.7	38.5
Tomatoes	36.2	23.9
Watermelons	4.0	4.2
Irish Potatoes	7.3	10.8
ALL VEGETABLES	25.6	27.9
<u>Citrus</u>		
Grapefruit	81.0	76.4
Oranges	88.9	88.9

e = estimate based on 1971 reportings.

* = reported, but not disclosed so as to avoid disclosure of individual operations.

SOURCE: U.S. Department of Agriculture and Texas Department of Agriculture.
 1971 Texas County Statistics. Bulletin 92, August 1972.
 1976 Texas County Statistics. Bulletin 152, September, 1977.

TABLE 6

COMPARISON OF THE ECONOMIC STRUCTURE AND GROWTH TRENDS
IN THE MCALLEN-PHARR-EDINBURG BEA REGIONAL AREA AND THE STATE OF TEXAS
1966-2000

	<u>Percentage Distribution of Employment</u>						<u>Annual Rate of Growth</u>			
	<u>-----1966-----</u>		<u>-----1980-----</u>		<u>-----2000-----</u>		<u>-1966-1980---</u>		<u>-1980-2000---</u>	
	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>	<u>Area</u>	<u>State</u>
Services	25.5%	27.9%	29.6%	31.4%	32.8%	34.1%	1.5%	2.5%	1.1%	2.0%
Manufacturing	10.4	17.7	10.4	18.6	10.0	19.5	.5	2.0	.4	1.8
Wholesale and Retail Trade	25.2	19.8	26.3	20.2	26.3	20.2	.7	1.7	.7	1.5
Construction	4.9	7.3	6.1	7.3	6.4	7.2	2.0	1.5	0.9	1.5
Transportation and Utilities	5.3	6.7	5.3	6.5	5.2	6.2	0.4	1.3	.6	1.3
Government	9.2	11.3	9.5	10.7	10.6	9.7	0.7	1.2	1.2	1.0
Mining	1.2	2.8	1.0	1.9	0.8	1.2	-1.4	-1.1	-.5	-0.8
Agriculture	<u>18.2</u>	<u>6.5</u>	<u>11.8</u>	<u>3.4</u>	<u>7.9</u>	<u>1.9</u>	<u>-2.6</u>	<u>-2.1</u>	<u>-1.4</u>	<u>-1.2</u>
All Categories:	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.5%	1.6%	0.6%	1.5%

SOURCE: OBERS Projections of Economic Activity in the United States, Volume II. BEA Economic Areas by the U.S. Department of Commerce and Agriculture, 1972.

Unemployment in Hidalgo County is 9.6% in contrast to the State's 5.3% (see Table 7). This higher level of unemployment is due to the importance of seasonal employment in agriculture and in seasonal processing plants, the availability of low-cost labor from Mexico, and the recent devaluation of the peso which has affected retail sales.

OBERS projections developed with pre-1973 data indicate that the BEA Area has grown and will continue to grow at a slower rate than the State as a whole--0.5% vs. 1.6%, largely due to the nature of the Region's employment structure. In the BEA Area, as a whole, total employment in 1966 was 106,000. Projections indicate that the rate of employment growth from 1966 to 1980 will have been at an average rate of 0.5% annually, or about one-third the State's rate of 1.6% and that this slower rate will prevail through the year 2000 (Table 6). The result will be a decline of the Region's share of the State's employment from 3.1% in 1950 to 1.8%.

The rapid economic growth of the last five years indicates that the OBERS projections may be conservative. Although Table 8 shows higher proportions of employment in slowly growing economic categories such as agriculture, and lower proportions in such fast growing sectors as manufacturing, it now appears that there will be a transition away from the slower growing sectors to greater employment in services, trade, and manufacturing.

Another important product of this area has been sand and gravel, obtained from open pit mines in Hidalgo County. Many of the Region's concrete companies depend on these sand and gravel deposits. At one time, gravel was transported almost exclusively by rail, but today, almost all moves by truck.

TABLE 7

EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
IN HIDALGO COUNTY AND IN THE STATE OF TEXAS
1976

<u>County</u>	<u>Labor Force</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	<u>Total Employment</u>
Hidalgo County	78,656	7,517	9.6%	71,139
State of Texas	5,342,000	282,800	5.3%	5,059,200

NOTE: Total employment includes resident wage and salary workers, self-employed, unpaid family workers and domestics in private households, agricultural workers and workers involved in labor-management disputes.

SOURCE: Labor Force Estimates for Texas Counties, Annual Average, 1976, by Texas Employment Commission, Austin, Texas.

TABLE 8

COMPARISON OF THE EMPLOYMENT STRUCTURE
OF HIDALGO COUNTY, THE MCALLEN-PHARR-EDINBURG AREA, AND THE STATE OF TEXAS

	<u>Hidalgo, County¹</u>	<u>McAllen-Pharr Edinburg BEA Regional Area²</u>	<u>State of¹ Texas</u>
Agriculture	18.1%	18.2%	4.4%
Mining	2.0	1.2	2.4
Construction	6.1	4.9	7.0
Manufacturing	7.3	10.4	17.4
Communic., Transp., Utilities	5.3	5.3	6.4
Wholesale & Retail Trade	28.0	25.2	20.9
Finance, Insurance, Real Estate	33.1	25.5	29.9
Government	<u>-- (3)</u>	<u>9.2</u>	<u>11.6</u>
TOTAL	100.0%	100.0%	100.0%

¹U.S. Department of Commerce, Bureau of the Census, General Social and Economic Characteristics, Texas. PC(1)-C45 Texas, April, 1972.

²U.S. Department of Commerce and Department of Agriculture, OBERS Projections of Economic Activity in the United States, Volume II. BEA Economic Areas. Washington, D.C., 1972.

³Included under Services.

3. Implications of Trends on Future Rail Traffic

Agricultural employment is projected to decline in the Region in the years ahead and at a rate more rapid than the State (-1.4% vs. -1.2%). Since this decline is due to increased mechanization of agricultural operations, it does not necessarily mean a decline in agricultural production.

Produce processors, who once relied heavily on rail, to the extent of locating adjacent to rail lines, no longer do so (see Table 9). In the early 1960's, truck transportation became increasingly more economical. Today, most of the State's processors, including those located along this rail segment, ship by rail only to specific customers, either to meet customer's special needs or because of a shortage of trucks.

Sand and gravel producers, who once relied heavily on rail, no longer do so. Only one firm in the County still ships sand and gravel regularly by rail and the amount shipped is only 8% of its total production. This firm claims it would ship more by rail if additional cars were made available and there is a general potential for increased sand and gravel rail traffic.

b. Current and Projected Freight Operations and Traffic

1. Current Rail Operations

Service is presently available on an "on-call" basis. No agency stations are located on the segment, which is served by a mobile agent based in Harlingen.

2. Rail Users

Halliburton Oil Field Services, Inc., is a local supplier of oil field services located on its own spur on the west side of U.S. Highway 83, less than 1 mile from where the Mission-Spaulding segment joins the main line. The company is situated on a 3.5-acre site; it has recently purchased the

TABLE 9

COMPARISON OF FRESH FRUITS AND VEGETABLES SHIPMENTS
IN THE MCALLEN-PHARR-EDINBURG BEA REGIONAL AREA
1964-1974

<u>Season</u>	<u>Rail</u> (Percent)	<u>Truck</u> (Percent)
1964-1965	44.8	55.2
1965-1966	36.0	64.0
1966-1967	39.4	60.6
1967-1968	38.4	61.6
1968-1969	38.7	61.3
1969-1970	30.1	69.9
1970-1971	26.3	73.7
1971-1972	20.1	79.9
1972-1973	20.6	79.4
1973-1974	18.6	81.4

SOURCE: Greater South Texas Cultural Basin Commission, March, 1977.
Office of the Governor, State of Texas.

adjacent 3 acres for expansion. Over the next 3 years, \$750,000 will be spent in expanding. Employment is expected to rise from 100 to 150 workers at the end of this period. Rail use would also increase from 78 carloads in 1977 to an estimated 97 carloads by 1980. The company reports that expansion plans might be reconsidered if the rail segment is abandoned.

Fertilaid Systems, Inc., operates a fertilizer research facility on the subject line. The possibility of abandonment has caused the firm to re-examine a \$250,000 plan for expansion that would double production by 1980 and increase employment from 8 to 30 workers. If this site is not expanded, the plant will be closed, according to a company representative. The expansion would take place elsewhere in the region, most likely at Mission or Hidalgo, or at other existing facilities outside Austin.

The Bates Power Station, owned and operated by the Central Power and Light Company, produces 160 megawatts of power at 100% capacity. The station is part of the Regional Power Grid. It is fueled by pipeline natural gas. It employs 37 persons, all of whom live in Hidalgo County. The plant has its own rail spur, but during the last 5 years, only some sulfuric acid has been received by rail. Due to the long lead time necessary to receive this material by rail (1 week vs. 24 hours) and the competitive freight rates offered by truck, almost all acid is now received by truck. Occasionally, transformers, sand or poles are received by rail; typically, one carload annually of this material is received.

Bannworth Brothers operates a produce farming, processing, and shipping operation along the rail line near La Joya and Sullivan City. The company is the only agricultural rail user on the Mission-Spaulding segment although two others are located in Rio Grande City. The company principally grows and

processes vegetables and melons. Bannworth Brothers is one of the largest growers in the County, employing 350 persons in the processing and shipping operation during the season, which lasts 6-8 months. For many of the company's employees, this seasonal work is their principal employment during the year.

Like many of the other produce operators in the County, Bannworth Brothers have shifted to truck transportation. Now only 9-11% of its total production is shipped by rail. The firm has no further plans for expansion that would affect rail use.

The Fordyce Company is located near Sullivan City on a rail spur at the end of the Mission-Spaulling segment. In the business of mining and processing sand and gravel, it is one of the two largest such companies in the area, supplying the region with this basic construction material.

In 1976, 400,000 tons of sand and gravel were produced compared with 742,000 tons in 1977.¹ Eight percent of production was shipped by rail. Almost all of this was shipped to the Readymix Cement Company in Brownsville, Texas. Historically, the firm has had no problems meeting demand. Fordyce is planning to modernize its existing facility in 1978 and 1979, but may not necessarily increase production. Typically, the new equipment would be received by rail.

¹This variation is not unusual. Production is cyclical in the construction industry.

V. ANALYSIS OF THE IMPLICATIONS OF ABANDONMENT ON THE TRANSPORTATION NEEDS OF THE STATE

a. Relationship of the Line Segment and its Traffic to the State Rail System and its Rail Traffic

The Mission-Spaulding segment is part of a line designated as MP 208 in the U.S. Department of Transportation, Final Standards, Classification and Designation of Lines of Class I Railroads in the United States. It is shown as a Category B branch line, indicating that through its length (Mission-Rio Grande City) the line carries less than one million gross tons of traffic annually. It connects with Mo-Pac line MP 214 to Harlingen and, then, to the Mo-Pac's coastal route running toward Corpus Christi and Houston. These connecting lines are Category A branch line, carrying 1-5 million gross tons per year.

b. Relationship of the Line Segment to Highways, Waterways and Other Modes of Transportation

The railroad roughly parallels U.S. Highway 83, which is the major east-west route of the region. It links the rail users with the major cities of the region--McAllen, Harlingen, San Benito and Brownsville. The McAllen Airport is only a half-hour drive from the most distant point on the segment. If the line were abandoned, rail service would continue to be provided in Mission.

c. Special Considerations

The rail segment is currently the only alternative to truck transportation available to the agricultural and mining industries located west of Mission. As mentioned in Section IV, 25% of the State's vegetable crop is harvested in Hidalgo County. A significant amount is harvested and processed along this segment.

Numerous firms within the region are also dependent upon the area's sand and gravel mining operations.

Currently, neither the produce nor sand and gravel industries is exclusively dependent on rail transportation, but in the past the region has been adversely affected by shortages of truck transportation. Recently the Railroad Commission of Texas instituted a special procedure for licensing commercial truck companies in order to alleviate the problem in time of distress. Although the problem has been solved temporarily, adequacy of common carrier transport in South Texas is a continuing concern.

VI. RELATIVE ECONOMIC, SOCIAL, ENVIRONMENTAL AND ENERGY COSTS AND BENEFITS RESULTING FROM THE SELECTION OF ALTERNATIVES

a. Identification of Alternatives

Traffic on the Mission-Spaulding segment is significant; the principal commodities are sand and gravel, chemicals, oil field supplies, and produce. Traffic appeared to be declining in the early 1970's, which probably influenced the Mo-Pac decision to consider a potential filing for abandonment, despite the good condition of the track and the current profitability of the segment. Projections for 1980 indicate that rail traffic is expected to increase significantly, thus improving the potential profitability of the segment.

The key direct impacts of abandonment are that both Bannworth Brothers and The Fordyce Company would lose a secondary means of transportation, as would significant segments of the area's important agricultural and gravel industries. The Fertilaid Systems, Inc., plant would probably close and eight jobs would be lost in Mission, although those might be absorbed elsewhere in Hidalgo County where the plant is expected to relocate. Two jobs would be created within the County as a result of new trucking activity, although these would represent higher costs to the shippers. Abandonment of this segment would also necessarily require the abandonment of the Spaulding-Rio Grande City segment. (The impacts of abandonment of the Spaulding-Rio Grande segment are considered in a separate report).

One alternative to abandonment was considered: continue service on the Mission-Spaulding line. Although the financial performance of the line is presently positive, this alternative could require a temporary operating subsidy to offset any future operating losses experienced by the

Mo-Pac and to provide a return on value of investment. The analysis presented in Chapter 2 indicates a current operating profit of \$44,377, suggesting that no subsidy is required but a return on value of investment consideration would have to be negotiated before it can be determined if a subsidy is required. Projections of increased traffic by 1980 and the good condition of the line further suggest that no operating subsidy may be needed.

Any continuation subsidy, should one become necessary, would be justified by an expectation of increased traffic in the future. The present profitability of the line, the good condition of the track, and the likelihood of increased traffic indicate the potential for long-term viability of the line should a short-term decrease in profitability require a temporary subsidy.

b. Economic, Social, Energy, and Environmental Costs and Benefits

Table 10 compares the likely impacts of abandonment of the Mission-Spaulding line with those of the alternative to abandonment considered. The specific economic, energy, environmental and community impacts presented in the table include:

- Employment - Net change in employment resulting from the loss of jobs in businesses adversely affected by abandonment less the increase in jobs due to additional workers employed in trucking (or other activities).
- Payroll - The net change in payroll estimated to be associated with the change in employment.
- Unemployment - The net change in unemployment anticipated as a result of the abandonment.

- Transportation Costs - Additional costs of transporting goods by alternative mode (e.g., truck) to the nearest rail head including annualized capital costs for new transportation facilities such as trucks and loading docks.
- Investment - Investment lost (especially in recently constructed rail facilities) and future investment that would not be made should rail service be abandoned.
- Taxes - Local taxes lost (or in the long-term, foregone) due to abandonment of the rail line, closing of certain plants, or decisions to cancel planned investment.
- Other Public Costs - Increase in unemployment compensation.
- Energy - Net change in fuel consumption due to a shift to alternative transportation modes.
- Environmental Effects - Change in air emissions such as increase in hydrocarbons, nitrous oxides, carbon monoxide and particulates due to change in fuel consumption resulting from modal shift.
- Community Effects - Change in development potential and population that is likely to occur in the Impact Area as a result of the cumulative effects of abandonment.

Table 10 focuses on the short- and long-term economic and social effects of abandonment relative to the alternative of continued service on the Mission-Spaulding rail segment.

The abandonment of the segment would mean the loss of eight full-time jobs at the Fertilaid Systems plant now and 22 more foregone due to the relocation of the facility. Since the plant is likely to be relocated

TABLE 10

SOCIOECONOMIC IMPACTS OF RAIL SEGMENT ABANDONMENT IN HIDALGO COUNTY
MISSION-SPAULDING LINE SEGMENT

<u>Alternatives</u>	<u>Abandonment Case</u>	<u>Continue With Possible Subsidy</u>
ECONOMIC IMPACTS		
<u>Employment Changes</u>		
Direct employment		
Current	+2	0
Future	0	0
Unemployment		
(Number)	Negligible	0
(Rate)	Negligible	0
Change in Payroll ¹		
Current	+\$20,000	0
Future		0
<u>Transportation Costs</u> ¹		
Additional cost of transporting goods		
Current	\$157,700	0
Future	\$179,500	0
Capital cost of facilities and equipment		
Current	0	0
Future	0	0
<u>Investment</u> ¹		
Amount of investment "lost" (companies)		
Current	0	0
Future (foregone)	0	0
<u>Taxes</u> ¹		
Amount of local taxes "lost" (companies)		
Current	0	0
Future	0	0
Amount of railroad taxes "lost"	\$4,566	0
<u>Other Public Costs</u> ¹		
Net change in employment benefits	0	0

TABLE 10 (continued)

	<u>Abandonment Case</u>	<u>Continue With Possible Subsidy</u>
ENERGY IMPACTS		
<u>Net change in fuel consumption</u> (gals per year)		
Current	10,800	0
Future	11,000	0
ENVIRONMENTAL IMPACTS		
<u>Net change in emissions (pounds per year)</u>		
<u>Current</u>		
HC	256	0
NO _x	4,011	0
CO	2,681	0
SO _x	216	0
Particulates	110	0
<u>Future</u>		
HC	260	0
NO _x	4,066	0
CO	2,717	0
SO _x	219	0
Particulates	112	0
<u>Impact on Air Quality</u>	Negligible	0
COMMUNITY IMPACTS		
<u>Change in Population</u>	0	0
Change in Development Potential	Slight	0
SUBSIDY PAYMENTS²		
<u>Operating Subsidy¹</u>	0	0
<u>Capital Subsidy¹</u>	0	0

Source: Arthur D. Little, Inc. estimates

¹All dollars are 1977 constant dollars.

²A subsidy may be required in the future. Currently, the line appears to be operating at a profit. Return on investment and other considerations subject to negotiation have not been included.

within the region, most probably near Mission, there should be no need for individuals to relocate. Thus, one can then assume that in real terms the job loss would be zero. If the facility were moved out of the area, there would be a significant employment loss.

Two new jobs would be created in the fields of material handling and truck driving to handle the additional six truckloads per day. These jobs would be created in either Mission or McAllen, and would represent increased costs to the firms involved.

Although Fertilaid Systems, Inc., would relocate, the firm's \$250,000 planned investment would not be lost because it will most likely still be made in Hidalgo County. The investment by Halliburton, Inc., would also still be made, we believe. Should the firms locate outside of the region, the investment foregone would be significant.

In the short-term, the profitability of several local companies would be affected due to having to absorb all or part of the \$158,000 additional cost of transportation.

The change in the environmental conditions will be negligible. Present rail/truck users would add less than 10% to their existing truck volume if they shifted all their rail traffic to motor carriers.

The greatest effect abandonment would have is that the region's sand and gravel pits and a significant portion of the State's produce would have a single mode of transportation immediately available. Rough estimates indicate that 20% of all produce processed in the BEA Region is processed on this rail segment.

The alternative to abandonment--service continuation--may require a small temporary subsidy. However, the line is now estimated to be profitable

(see Section II) and traffic projections indicate it will continue to be so, suggesting a subsidy should not be required. Continuation of service would preclude the impact of abandonment.

VII. EVALUATION OF METHODS OF ACHIEVING ECONOMIES IN THE COST OF RAIL SERVICE OPERATIONS ON LINES ON WHICH SERVICE WILL BE CONTINUED

Methods for achieving economies such as consolidation, pooling, joint use or operation of lines, equipment and facilities are not applicable to this segment. The segment is in good condition and service is provided on-call; thus, there appear to be no further available methods of achieving economies in the cost of rail service operations on the Mission-Spaulding line.

VIII. COMPETITIVE OR OTHER EFFECTS ON OR BY PROFITABLE RAILROADS

a. Competition

The transfer of most service from the Mission to Spaulding segment to the Mission to McAllen railhead would not affect the competitive condition existing between Mo-Pac and the other rail lines in the region. This is because the amount of traffic diverted to other modes of transport is a small amount of the total handled by Mo-Pac.

b. Profitability

Abandonment of the line would probably result in a small diminution in the profitability of the Mo-Pac. Mo-Pac is presently profitable on a system-wide basis.

IX. CONSIDERATIONS RELATING TO RAIL BANKING

This segment is not considered a candidate for rail banking at this time since there is no anticipated future agricultural or fossil fuel development contingent upon continued rail service.



X. DESCRIPTION OF THE ALTERNATIVES EVALUATED TOGETHER WITH AN ANALYSIS OF THE RELATIVE ADVANTAGES, DISADVANTAGES AND COSTS ASSOCIATED WITH EACH ALTERNATIVE

a. Brief Description of Alternatives

One alternative to abandonment has been evaluated. It is: continuation of service with a temporary operating subsidy if needed. This alternative maintains the status quo. The advantages are that jobs are saved, current rail users do not have to pay increased transportation costs, Hidalgo County does not lose tax revenues and the Impact Area does not experience increased energy consumption and increased pollutants resulting from increased use of trucking. Strategic economic sectors (sand, gravel and produce) can continue to rely on rail as an alternative transportation mode.

b. Movement of Existing and Future Traffic by Rail and Alternative Modes

Rail traffic is routed to this segment through Mission--the end-point of Mo-Pac's main east-west rail line in the region. If service is retained, traffic would continue to be routed in the same manner. If the segment were abandoned there would be no rail service west of the beginning of the abandonment point.

Truck traffic serving the potentially affected communities moves over U.S. Highway 83, which parallels the rail line. Traffic in the future would be expected to move in the same manner.

c. Identification of Costs Associated with Alternatives

The Mission-Spaulding line presently appears to be profitable and projections of increased traffic indicate that no continuation subsidy should be needed. However, fluctuations in traffic or a return on value of investment consideration could require a small operating subsidy.

d. Selection Process

The continuation of service with a possible temporary operating subsidy is the only practical and reasonable alternative to abandonment of the Mission-Spaulding rail line. It would alleviate all of the impacts of abandonment that would be experienced most directly by the current rail users. The current profitability of the line, together with its good condition and favorable outlook for future rail traffic, suggest that no public assistance may be required. Any operating subsidy that might be temporarily required should be small.

XI. CONCLUSION OF THE STATE AS TO WHETHER THE ALTERNATIVE SHOULD BE
SELECTED FOR FEDERAL OR STATE ASSISTANCE

Continuation of service on the Mission-Spaulding line would avoid adverse impacts on the current rail users and provide alternative transportation to the important produce and sand and gravel industries. The line is presently profitable and the outlook is for increased rail traffic, suggesting that no subsidy may be required.

Should an abandonment application be filed, and if a subsidy appears to be required to insure continued service, it is recommended that this segment be considered for inclusion in the Certified Program of Projects, pending a cost-benefit analysis of all projects under consideration. In the meantime, it is recommended that the Railroad Commission of Texas monitor rail traffic on the line.

XII. STATEMENT OF THE STATE'S FUTURE ROLE ON EXPIRATION OF FEDERAL ASSISTANCE

The state would not assume any financial role upon expiration of any Federal assistance.

Segment Analysis
SPAULDING-RIO GRANDE CITY

RAILROAD COMMISSION OF TEXAS

With
Technical Assistance
of
Arthur D. Little, Inc.

October 1978

Revised January 1979

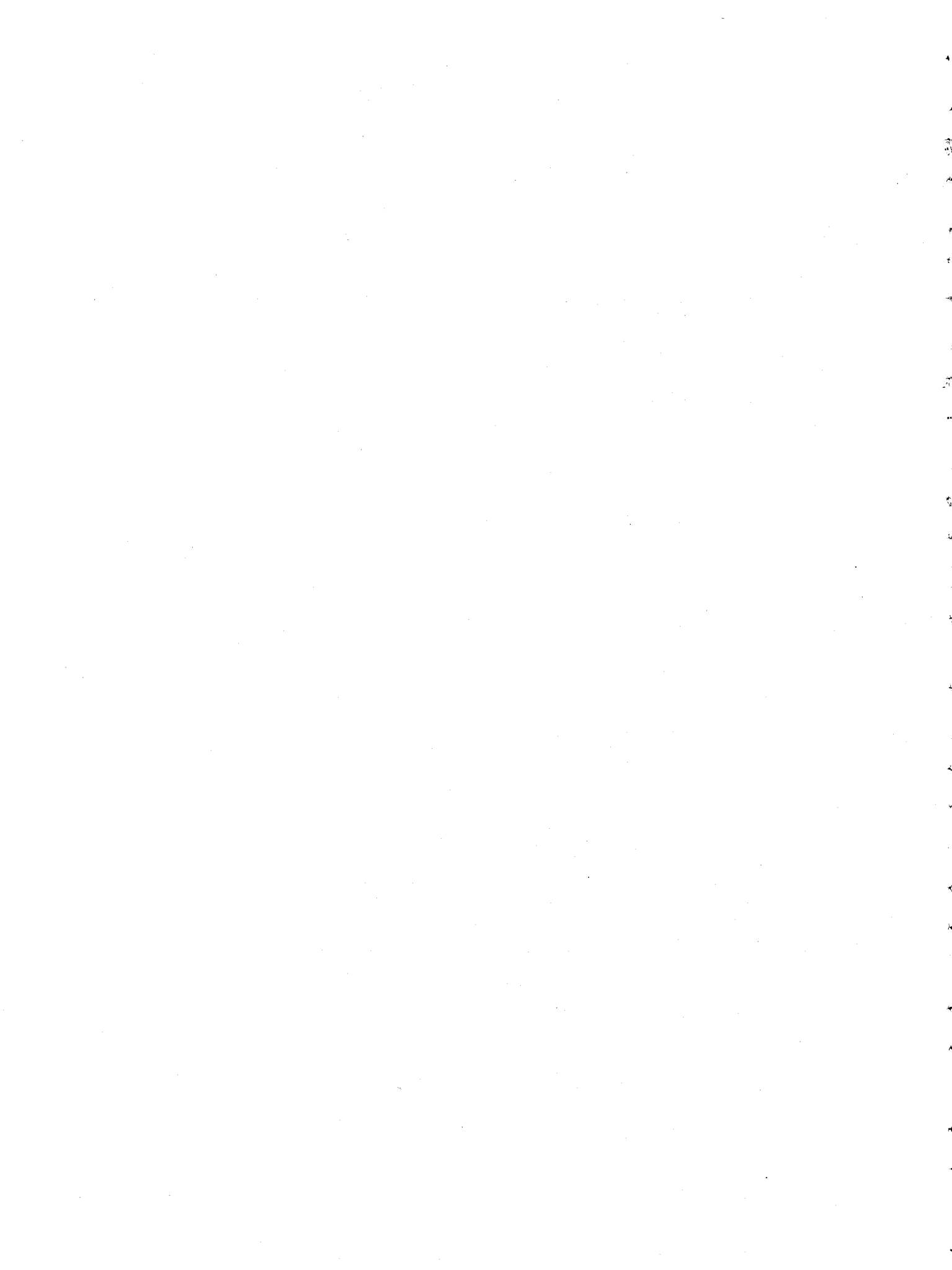


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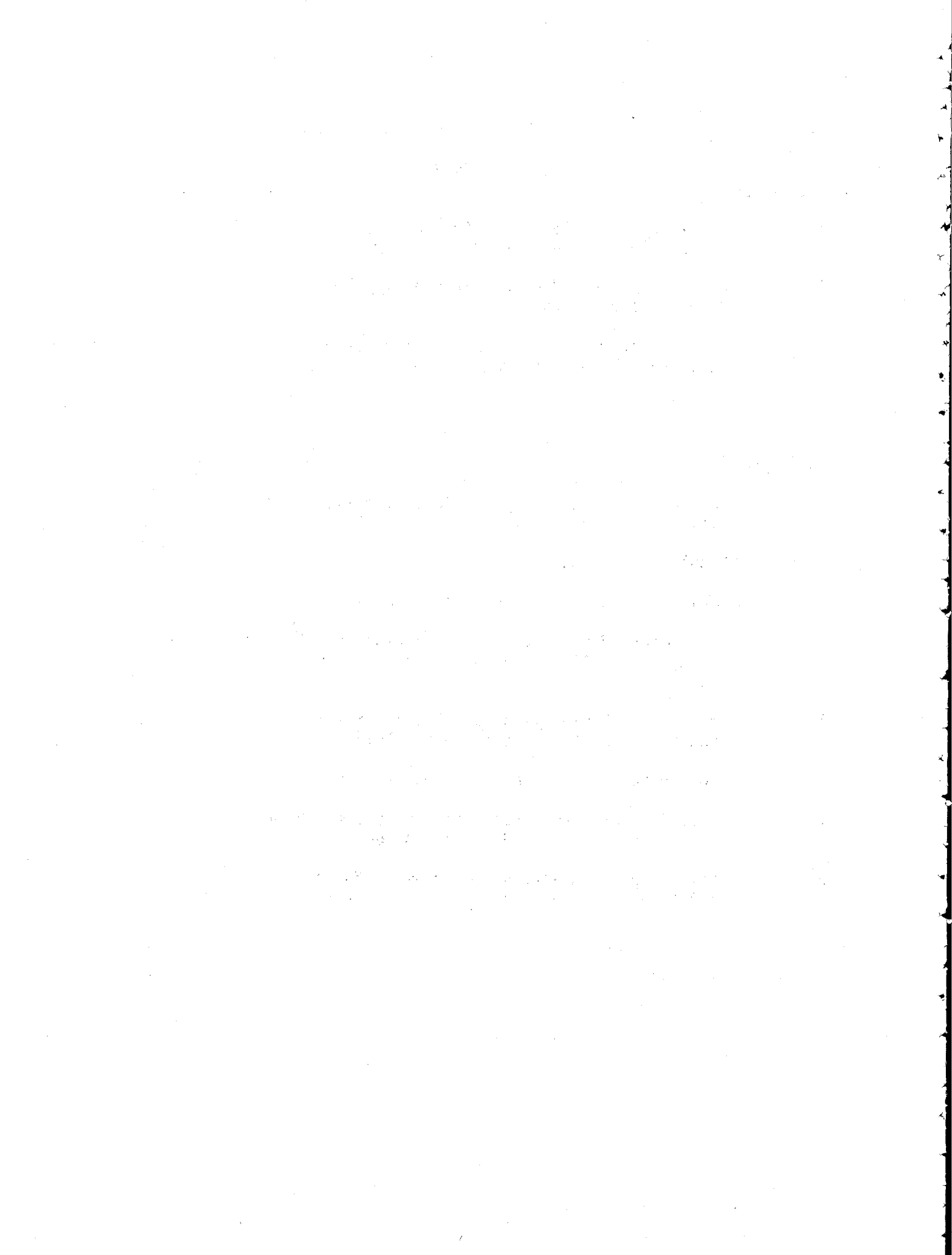
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PART A. SUMMARY

1. Introduction

The Missouri Pacific Railroad Company (Mo-Pac) has given notice that its rail line from Spaulding to Rio Grande City is subject to an abandonment application within three years. [This is a Category 1 designation as defined by 49 CFR 1121.20(b)(1).] Mo-Pac had previously designated the entire Mission to Rio Grande City line as potentially subject to abandonment. (This is a Category 2 classification.) The eastern portion of the line from Mission to Spaulding continues to be a Category 2 designation, while the Spaulding to Rio Grande City portion has been re-classified.

The 17.1-mile long segment between Spaulding and Rio Grande City lies between Mileposts 56.2 and 73.3. The segment is located in Starr County at the southernmost tip of Texas. Rio Grande City is the only station that would lose rail service.

2. Traffic Characteristics

Service is provided on this segment on an on-call basis. The condition of the rail line is relatively good, although a few of the sidings are in poor condition.

Between about 400 and 500 cars move over the segment annually. Almost all of the traffic is originating carloads of produce and bricks. Some building materials and grain also move over the line. There is no bridge traffic because the line is a stub-end.

3. Economic Characteristics

a. Economic Activity in the Impact Area

Starr County is predominantly agricultural. Population is about 21,000 and growing, largely as a result of Mexican immigration. Vegetable and citrus production are the most important agricultural activities in the County. About 5% of the State's vegetables and much higher proportions of certain items such as honeydew melons, cauliflower and lettuce are produced in Starr County.

The outlook for Starr County is for some population growth and slow employment growth. No significant new agricultural, manufacturing or other economic developments are anticipated. The economic growth occurring in the McAllen-Edinburg-Pharr region is unlikely to have much impact on Starr County in the immediate future.

b. Rail Users

Three rail users account for 98% of the carload traffic originated or terminated on the rail segment: Camargo Brick, Starr Farms, and La Casita Farms. Two other firms account for a few carloads annually. The five rail users have a total employment of 123 full-time and 900 part-time workers representing an annual payroll of almost \$2 million. A sixth firm is about to begin operations, employing 30 workers and generating an estimated 50-100 carloads of traffic.

Due to the relatively low potential for new economic development in the region, future increases in rail traffic are likely to be relatively limited and related to the current rail users.

c. Importance of Rail to Users

One of the rail users, Camargo Brick, is dependent on rail service and might be forced to relocate to a location with rail service should the line be abandoned. Starr Farms and La Casita Farms are not critically dependent on rail and utilize it mostly as an alternative, though rail is of great importance to them at times of truck shortages. These two produce growers and the other occasional rail users could switch to truck use, albeit at an added transportation cost. A new brick firm, just beginning operations, expects to use rail for about 50% of its transportation. U.S. Highway 83 parallels the rail line for much of the distance between Spaulding and Rio Grande City and provides an adequate route for shipping.

4. Impact of Abandonment

All five current users would lose rail service, but the impacts of abandonment vary.

- Camargo Brick might be forced to relocate to Mission or McAllen. This could result in a loss of 15 jobs in Starr County. If the firm remained at its present location it would incur significant additional transportation costs.
- Starr Farms and La Casita Farms would have to absorb the additional cost of transporting by truck. However, the cost issue is not as important as the availability of transportation. Should a shortage of trucks occur, combined with the lack of a rail alternative, these growers would not be able to move their perishables rapidly to market.

- Zarsky Lumber Co. would not significantly change its operations should the line be abandoned. The added cost of transportation would be passed on to the consumer.
- Starr Gin & Grain currently makes little use of rail and would not be greatly affected by an abandonment.

A new rail user, Nordmeyer, Inc., is about to begin producing bricks. Loss of rail would significantly restrict the firm's market area and curtail the operation, resulting in the loss of several jobs and up to \$250,000 in foregone investment.

Mo-Pac would be relieved of the operation of a line that is estimated by this analysis to show a slight operating loss. The railroad itself, however, estimates a small (unspecified) profit. (Chapter II.)

5. Alternatives to Abandonment

The alternative to complete abandonment would be to continue all service and provide an operating subsidy if needed. The major component of a continuation subsidy would be a return-on-investment factor. No subsidy would be required if additional traffic materialized or if the segment continues to be profitable as recently indicated by Mo-Pac. A capital subsidy of about \$5,000 could be provided for the rehabilitation of a rail spur.

6. Inclusion in Certified Program of Projects (CPP)

The continued service alternative may require some Federal funds though the line segment appears to be marginally profitable. This line is recommended for further consideration for the Certified Program of Projects. It is also recommended that the Railroad Commission of Texas monitor traffic carried on the line.

PART B. DETAILED ANALYSIS

1. Description of the Line

a. Proposed Action

The Missouri Pacific Railroad Company (Mo-Pac), on March 31, 1978, designated the rail segment from Spaulding to Rio Grande City as subject to an abandonment application within 3 years.¹ [This is a Category 1 designation as defined in 49 CFR 1121.20(b)(1).] This 17.1-mile long segment lies between Mileposts 56.2 and 73.3, and is located primarily within Starr County, Texas. The Spaulding-Rio Grande City segment is the western end of the line from Mission to Rio Grande City.

Mo-Pac, on December 30, 1976, had previously indicated² that its rail line from Mission to Rio Grande City was potentially subject to abandonment. (This is a Category 2 designation.) This line, which is wholly within the State of Texas, is located in Hidalgo and Starr Counties. The 31.3-mile long rail line lies between Mileposts 42 and 73.3. Mo-Pac subsequently re-designated the western portion of the line--Spaulding to Rio Grande City--as subject to an abandonment application within 3 years, while the eastern portion--Mission to Spaulding--kept the designation of potentially subject to abandonment. Because of its different classification, the Mission-Spaulding segment is analyzed in a separate report. An overview summarizes the analyses of these two segments in addition to that of the Mission-Hidalgo segment.

¹Letter from D. L. Manion, Vice Pres., Missouri Pacific Railroad Company, to the Honorable Dolph Briscoe, Governor, State of Texas, dated March 31, 1978.

²Federal Register Vol. 42, No. 63, April 1, 1977, Book 2, Part VII, P. 17731. See also: Letter from D.L. Manion, Vice Pres., Missouri Pacific Railroad Company, to the Honorable Dolph Briscoe, Governor, State of Texas, dated December 20, 1976.

2. Description of Rail Segment

The rail segment originates in Mission, which is the end-point of Mo-Pac's east-west rail line in the Rio Grande Valley region. The Mo-Pac main line continues through Harlingen where it connects with the Mo-Pac's coastal route running towards Corpus Christi and Houston (see Figure 1). The Spaulding-Rio Grande City line continues from the line at Mission proceeding west, principally through farmland, to Rio Grande City (as shown in Figure 2). There are some rail spurs along this segment, but only those spurs operated by the current rail users are functional.

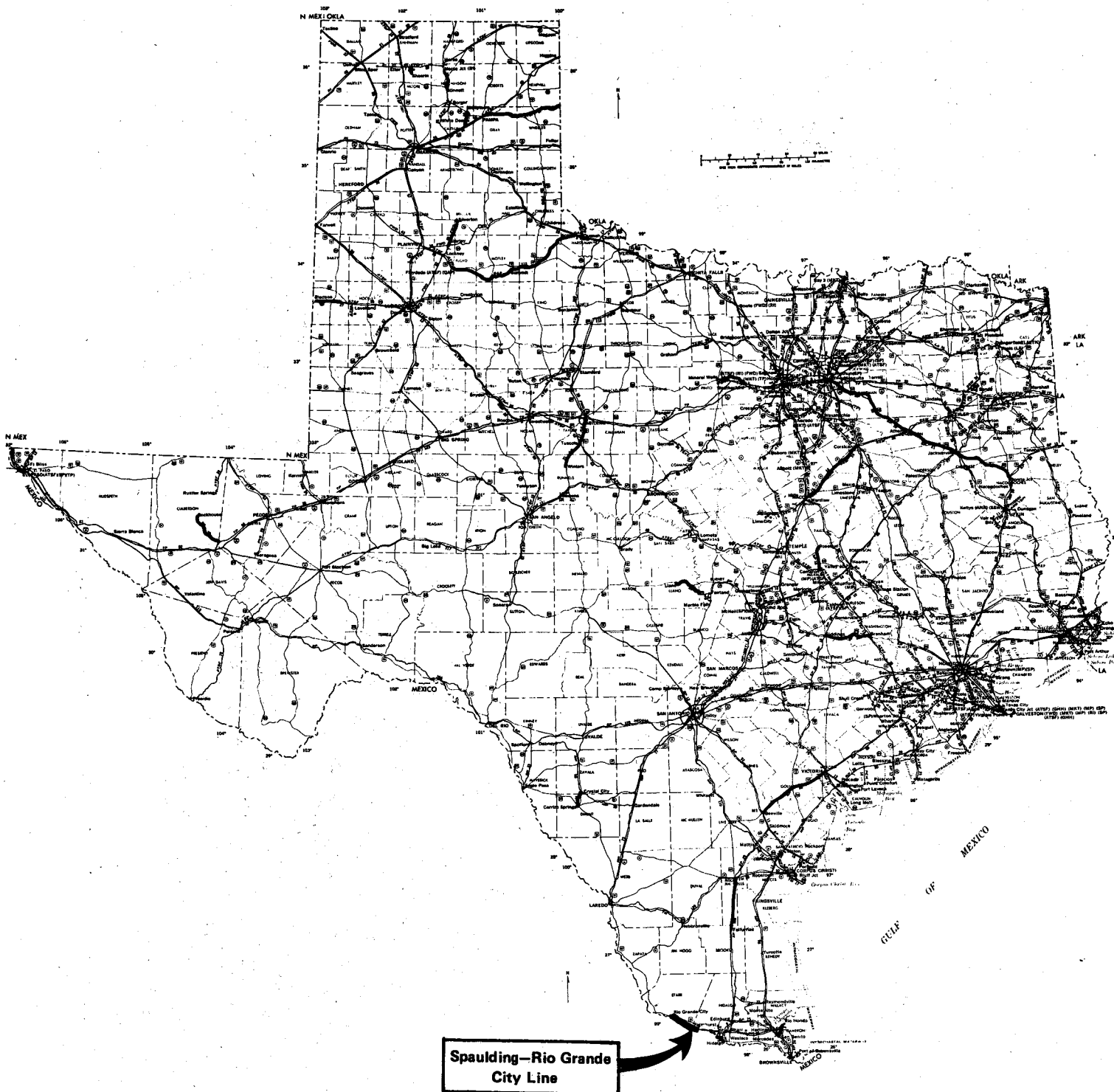


FIGURE 1 LOCATION OF SPAULDING-RIO GRANDE CITY LINE IN RELATION TO THE TEXAS RAIL SYSTEM

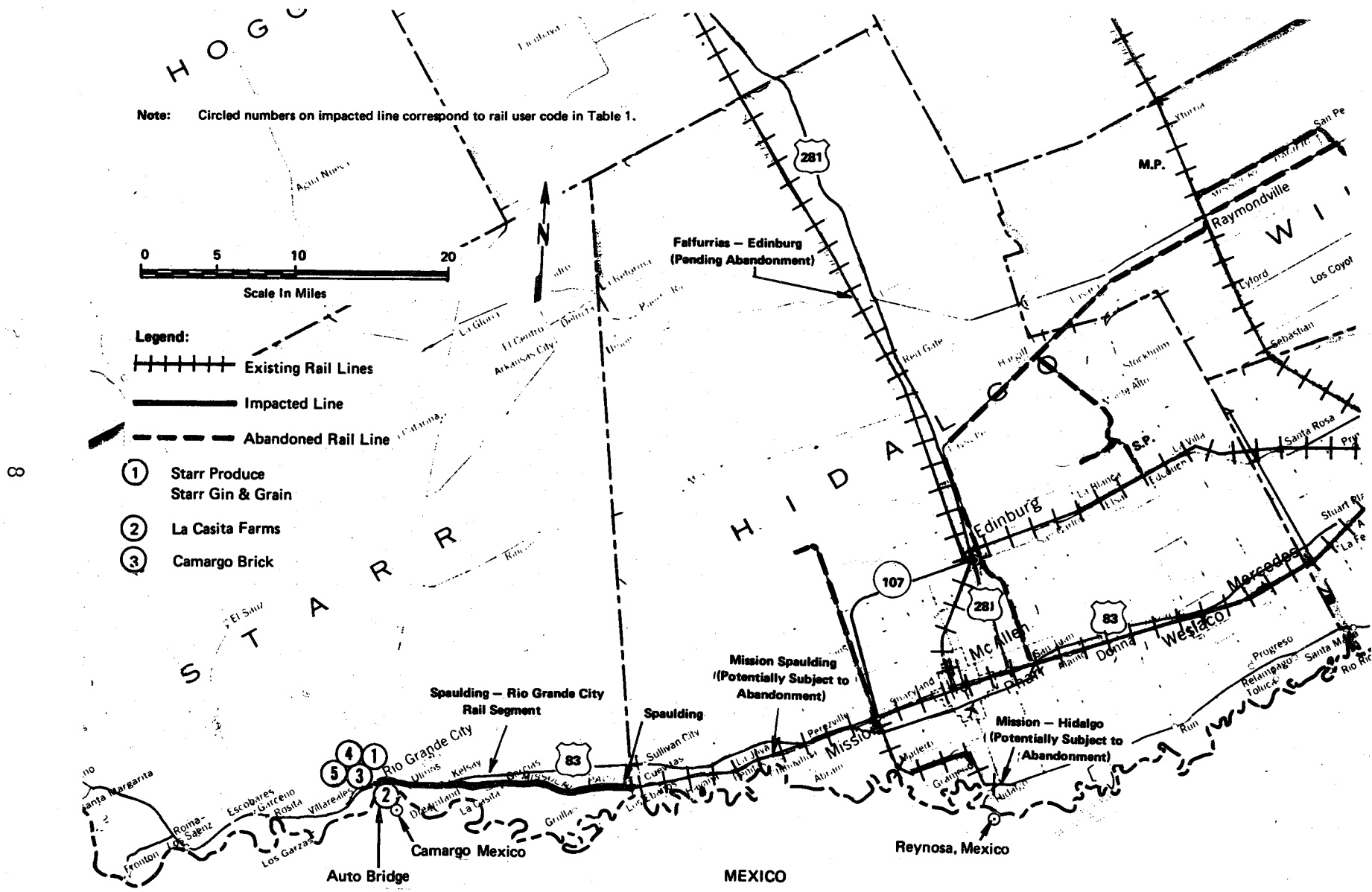


FIGURE 2 LOCATION OF SPAULDING-RIOGRANDE CITY RAIL LINE IN STARR COUNTY

I. FREIGHT TRAFFIC AND CHARACTERISTICS OF SHIPPERS ON THE LINE OF THE RAILROAD

a. Freight Traffic

As shown in Table 1, almost all freight traffic is originating, rather than terminating. There is no bridge or local traffic. Three principal rail users (Camargo Brick, Starr Farms and La Casita Farms) account for 98% of all traffic. Two shippers (Starr Farms and La Casita Farms) are seasonal shippers of produce. Production and, therefore, shipments also vary from year to year due to weather conditions, as illustrated by the difference in shipments between 1973 and 1977.

b. Rail User Characteristics

All of the rail users are located on the last mile of trackage in Rio Grande City. The following rail users are listed in accordance with their location, starting at the end of the rail line.

Zarsky Lumber Co., a large lumber yard and building supply store in Rio Grande City, is one of only two such firms between Rio Grande City and Mission (33 miles away), which offer this service. The company appears not to be totally dependent on rail. Zarsky employs 12 full-time personnel. Future growth of the firm is directly related to the economic conditions in Rio Grande City, which is not expected to experience a significant growth.

Camargo Brick Co. is part of a twin-plant operation. All the bricks are made in Camargo, Mexico. Bricks are then trucked across the Rio Grande City International Bridge and stored in Rio Grande City until they are picked up by customers (as is 28% of the production) or shipped by rail (72%). The company employs 15 persons in Rio Grande City with an annual payroll of \$75,000.

TABLE 1

CARLOAD RAIL TRAFFIC ON THE SPAULDING-RIO GRANDE CITY RAIL SEGMENT, 1973, 1977 AND 1980

Rail User Code	RAIL USER	Originating			Terminating			Total Traffic			ADL Estimate
		1973	1977	1980	1973	1977	1980	1973	1977	1980	1980
1	Zarsky Lumber Co.	0	0	0	2	2	3	2	2	3	3
2	Camargo Brick Co.	300	300	300	0	0	0	300	300	300	300
3	Starr Farms, Inc.	125	15 ¹	125	20	0	0	145	15 ¹	125	125
4	La Casita Farms, Inc.	100	65 ¹	80	6	2	0	106	67 ¹	80	80
5	Starr Gin & Grain ²	0	4	2	0	0	0	0	4	2	2
6	Nordmeyer, Inc.	-	-	75	-	-	-	-	-	75	75
	TOTAL FOR SEGMENT:	525	384	582	28	4	3	553	388	585	585

¹Produce shipments unusually low due to poor weather conditions.

²Owned by Hidalgo Gin & Grain. Plant was established in 1976.

Source: Survey of rail users, and Arthur D. Little, Inc. estimates.

Note: Location of rail users indicated on Figure 2.

Starr Farms, Inc., and La Casita Farms, Inc., are the two largest growers, processors, and shippers of produce in Starr County and among the largest in the Lower Rio Grande Valley region. Both are major employers in the County and Rio Grande City. Starr Farms, Inc., planted 6,000 acres and La Casita Farms, 3,500 acres in 1977. Starr Farms employs 25 full time and 450 part time and has an annual payroll of about \$700,000. La Casita Farms, Inc., employs 70 full time and 450 part time and has an annual payroll of \$1 million.

Both firms use principally truck transportation, which is standard for the produce industry in the region. However, available rail service is important because it assures the produce growers an alternative transportation mode in times of truck shortages. It is not unusual for shortages to occur. Both shippers claim they would regularly make greater use of rail if service were improved.

Starr Gin and Grain, owned by Hidalgo Gin and Grain, Inc., operates a 1,600-ton capacity grain elevator in Rio Grande City. This facility was constructed in 1976. The firm has not been able to use rail transportation fully due to the poor conditions of its siding. No rail use is planned until the siding is repaired. A total of 4 carloads were shipped in 1977.

Nordmeyer, Inc., a new brick firm, expects to begin production shortly and plans to rely heavily on rail for shipment of its product. The firm will employ 30 persons, representing an annual payroll of about \$300,000. The high-quality brick would be marketed in major Texas cities and outside of the State in the future. Rail is considered essential for shipments more distant than 350 miles.



II. REVENUES DERIVED FROM RAIL FREIGHT SERVICES AND THE COST OF PROVIDING THESE SERVICES

a. Revenues

This segment is a continuation of the Mission-Spaulding segment, but originates or terminates 388 carloads of traffic of its own. Based on field surveys, some 17,380 tons were carried generating \$143,211 in revenues. The basis for this estimate is shown on the Revenue and Expense Estimation sheet. No bridge traffic is carried.

b. Expenses

Maintenance of way expense is estimated at \$29,087, and maintenance of equipment is estimated at \$21,621. The total of on-branch and off-branch transportation expense is \$59,409, the largest single line item. The operating expense subtotal of \$110,117 is the minimum avoidable estimated expense. With equipment rents, taxes, an allowance for working capital and a small management fee, expenses total \$155,595.

c. Operating Results and Breakeven

A comparison of revenues and expenses indicates that in 1977 the Spaulding-Rio Grande City segment appeared to be showing an operating loss of \$12,384. It should be noted that 1977 was a poor year for the produce growers. In years of good harvests, the line could show a profit if 75 or more additional carloads of traffic were generated.

In response to an opportunity to review a draft analysis of the Mission-Spaulding segment, Mo-Pac indicated that its internal estimates show a slight profit for the segment on revenues that are some \$50,000 greater than our analysis. No additional details were provided, however, and no branch line R-6 worksheet is available.¹

¹Meeting with William R. McDowell of Missouri Pacific in Austin, December 7, 1978.

A rough approximation of breakeven traffic, based upon our analysis, indicates that at about 450-480 annual carloads the line should be marginally profitable. Mo-Pac has not indicated the number of carloads its internal records show to have moved over the line.

d. Available Data Sources

Systemwide Mo-Pac R-1 (all operations) and systemwide R-6 (designated branch lines) data were available. Carload traffic was based on field interviews. No separate segment R-6 worksheet was available. All other data were derived from field surveys, questionnaires or sources as noted.

REVENUE AND EXPENSE ESTIMATION SHEET

Line: Spaulding-Rio Grande City

Railroad

Miles 17.1

1977 Carloads & Tonnage:

388 cars. 17,380 tons. Per Field Survey
(22.7 cars/mile).

a. Revenues: \$143,211

1. Basis of estimate: System average revenue per net ton mile is \$0.0206, per R-1. Avg. haul estimated at 400 miles [17,380 x \$.0206 x 400 = \$143,211].

2. Description of O&T or Bridge Traffic; Assumptions. About 77% of originating traffic destined for Beaumont area and Southeast. Avg. haul estimated at about 90% of system average, based on Rio Grande City-Beaumont distance. Stub ends at Rio Grande; no bridge traffic.

b. Expenses

1. Maintenance of way \$ 29,087

Basis: Based on m/w expense per mile, from R-6 data [\$1,701 x 17.1 = \$29,087].

2. Maintenance of equipment \$ 21,621

Basis: Based on system average m/e expense per net ton mile, from R-1 data: [\$.00311 x 17,380 x 400 = \$21,621].

3. Transportation
On-branch \$10,363
Off-Branch 49,046
\$ 59,409

Basis: Estimated 60 trains per year. On-branch expense based on transportation cost per locomotive unit mile [\$5.05 x 60 x (17.1 x 2) = \$10,363]. Off branch based on system average transportation expense per net ton mile [\$.00737 x 17,380 x (400-17.1) = \$49,046].

Operating Expense \$110,117
Subtotal:

4. Estimated Taxes:
Payroll \$ 8,986

Basis: Labor accounts for 48% of operating expenses; payroll taxes add 17% to labor. [\$110,117 x .48 x .17 = \$8,986].

Other-than-federal \$ 16,216

Basis: Based on other-than-federal tax expense of \$948.33 per mile of road [\$948.33 x 17.1 = \$16,216].

Tax Subtotal \$ 25,202

¹Includes an estimated \$2,960 Health and Welfare contribution on the basis of labor costs.

5. Equipment rents	\$ 12,664	<u>Basis:</u> Based on system average rental expense per loaded car mile of \$0.0816. [$\$.0816 \times 400 \times 388 = \$12,664$].
6. Other Expenses	\$ 6,180	<u>Basis:</u> Pro-rate of total branch line other avoidable costs, annualized from R-6 data, on a mileage basis. This is primarily an allowance for working capital claimed by the carrier. [$(17.1/438.290 \times 158,412 = 6,180)$].
7. Management Fee	\$ 1,432	<u>Basis:</u> 1% of gross revenue
EXPENSE TOTAL	<u>\$155,595</u>	
NET RESULT:	<u>(\$ 12,384)</u>	

III. REVIEW OF CONDITION OF THE RAIL PLANT, EQUIPMENT AND FACILITIES

a. History of the Line

The Mission-Spaulding trackage was originally laid in 1907 by Mo-Pac. In 1924, the line was extended to its current end-point--Rio Grande City. Mo-Pac continues to own and operate these segments.

b. Description of the Layout of the Branch Line Stations

The line runs west from Mission to Rio Grande City, paralleling U.S. Highway 83. There are no functional sidings on the Spaulding-Rio Grande City segment, except those operated by the current rail users. There are no agency stations located along the segment. Several small trestles exist along the line. The segment runs through a rural area consisting of open land (some used for mining gravel) and farmland. Occasionally the line passes near small colonias¹ or towns.

c. Physical Characteristics

A visual inspection at several points showed the rail line between Spaulding and Rio Grande City to be in "good-to-very good" condition. The ballast consists of river gravel and covers approximately 50-100% of the ties. It is in good, clean condition. The alignment of the rail appears to be good. The rail, itself, is a 90-pound line, laid in 39-foot lengths with staggered joints. The rail itself appears in good condition; much of it is open-hearth relay rail originally rolled in 1913. There are approximately 15-19 ties per length of rail. The ties vary from

¹A poor, rural, unincorporated community with 20 or more dwelling units, where home ownership is typical.

1 or 2 years old, to 25 or more years old, but the majority appear to be 10 to 25 years old. Over 10% of all ties inspected were defective in some manner. Three to five percent were split in such a way that they would no longer hold a rail spike. Two to six percent of the ties were rotted out. Six percent of all the ties had very loose, raised spikes. Many of the ties were split lengthwise, though they would still hold a rail spike. It appears that sections of the rail line were re-built after a 1968 hurricane.

The trestles located along the line appear to be in excellent condition. Most of them have been worked on recently, and many have been re-built. Not all of the existing sidings are in good condition.

IV. ECONOMIC AND OPERATIONAL ANALYSIS OF PRESENT AND FUTURE FREIGHT SERVICE

a. Economic Overview

1. Definition of the Impact Area

The Spaulding to Rio Grande segment is entirely within Starr County, which is located in the southernmost tip of Texas, on the Mexican border (see Figure 3). Although Starr County is the area of direct impact, a significant portion of originating and terminating traffic is generated by or delivered to companies in a broader four-county area corresponding to the McAllen-Pharr-Edinburg BEA Regional Area¹. Hence, population and economic trends are discussed for both Starr County and the BEA Area.

2. Overview of Trends and Projections

Starr County had a 1975 population of 20,885 (Table 2). Population in the County is expected to grow to nearly 27,600 by the year 2000. The population growth rate would be about the same as that anticipated for the State of Texas as a whole.

The major population center in Starr County is Rio Grande City, the county seat, with a 1975 population of about 5,700.² The other population center of significance is Roma-Los Saenz with a population of 2,696 or 13% of the County's population. Roma-Los Saenz is not located along the rail segment.

The BEA area had a population in 1970 of 355,180. The area is projected to grow at a slower rate than the State (0.5% vs. 1.6%).

¹U.S. Department of Commerce and Agriculture. OBERS Projections of Economic Activity in the United States, Vol. II. BEA Economic Areas. Washington, D.C., 1972.

²Local officials indicate that this population estimate is now on the low side.

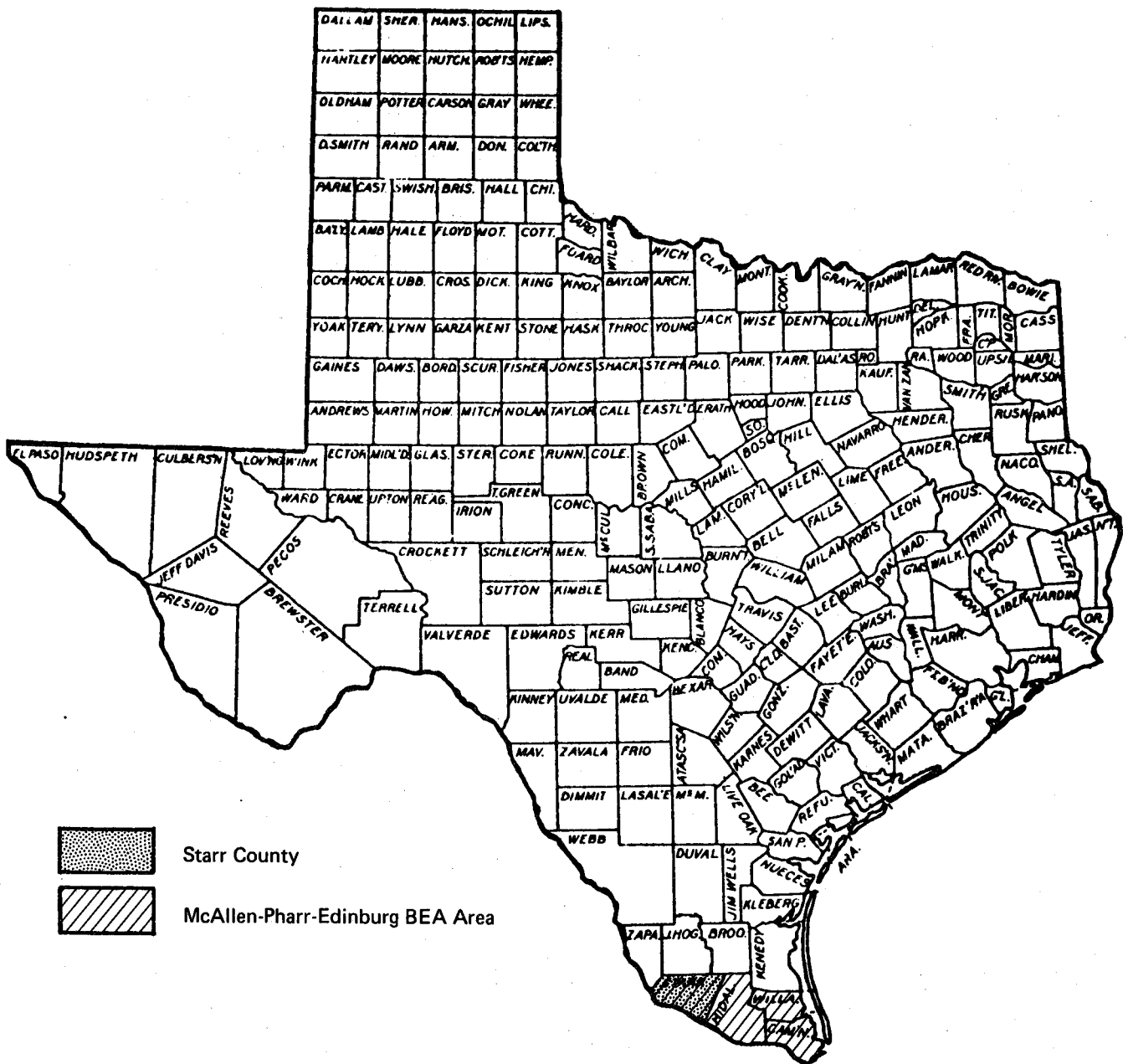


FIGURE 3 LOCATION OF STARR COUNTY WITHIN THE STATE OF TEXAS AND THE McALLEN-PHARR-EDINBURG BEA AREA

TABLE 2
Population Growth

<u>Year</u>	<u>Starr County</u>	<u>Rio Grande City</u>	<u>% of Starr</u>
1900	11,469	--	--
1910	13,151	--	--
1920	11,089	--	--
1930	11,409	2,283	20.0%
1940	13,312	--	--
1950	13,948	3,992	28.6
1960	17,137	5,835	34.0
1970	17,707	5,676	32.1
1975	20,885	5,720	27.4

Source: Texas Almanac, 1978-1979. A. H. Belo Corporation, Dallas, Texas, 1977.

Note: The second largest town is Roma-Los Saenz, 5 miles west of Rio Grande City on U.S. Highway 83. Its 1975 estimated population was 2,696 or 13% of the County's population.

However, the two Standard Metropolitan Statistical Areas located in the area--McAllen-Edinburg-Pharr and Harlingen-San Benito-Brownsville--have been among the fastest growing in the state during the last 5 years.

The significant population growth rate in Starr County and the SMSA's is largely due to its favorable climate and proximity to Mexico.

Total employment in Starr County in 1975 amounted to 2,025. Table 3 shows that employment is heavily concentrated in the agricultural and service sectors, whereas there is relatively little employment in the manufacturing sector.

In the BEA Area, total employment in 1966 was 106,000. Projections indicate that the rate of employment growth from 1966 to 1980 will have been at an average of 0.5% annually, or about one-third the State's rate of 1.6%. The BEA Area also shows an unusually high level of employment in the agricultural sector. Although employment in manufacturing is more significant than it is in Starr County, it is still relatively unimportant compared with the State average. The trade sector is also a major source of employment in the BEA Area.

The concentration of employment in the agriculture and trade sectors in both Starr County and the BEA Area implies that employment growth will be limited in the future. This is because of high employment levels in the State's slower growing sectors such as agriculture, whereas there are lower proportions in the faster growing sectors such as manufacturing and to a lesser extent, services (see Table 4).

Future employment growth is expected to occur more slowly in the BEA Area than in the State as a whole. However, it now appears that the BEA Area has shown considerable economic growth in the last few years and that future growth may be more significant than that indicated by the BEA estimates. Starr County will not, however, be the major beneficiary of this growth.

TABLE 3

Employment in Starr County, 1970 and 1975

	<u>1970</u>	<u>1975</u>
Mining	416	88
Contract Construction	18	41
Manufacturing	55	10
Public Utilities	277	38
Wholesale Trade	33	80
Retail Trade	399	523
Finance, Insurance, Real Estate	33	58
Services	169	287
Other	<u>5</u>	<u>10</u>
Subtotal ¹	1,405	1,125
Agriculture ²	<u>900</u>	<u>900^e</u>
Grand Total	1,305	1,025

¹U.S. Department of Commerce, Bureau of the Census. County Business Patterns. Texas. CBP-75-45, Washington D.C., 1976. (Excludes self-employed persons, farm employees, domestic workers, and railroad employees. Data are reported for county of employment.)

²U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics. Texas. P(91)-C45 Tex., April 1972. (Data on agricultural employment are not available for 1975 from the Census; therefore, the 1970 estimate is used. With generally declining agricultural employment, it is likely that this somewhat overstates agricultural employment in 1975.)

TABLE 4

COMPARISON OF THE EMPLOYMENT STRUCTURE
OF STARR COUNTY, THE MCALLEN-PHARR-EDINBURG AREA
AND THE STATE OF TEXAS

	Starr ¹ County	McAllen-Pharr- ² Edinburg BEA Regional Area	State of ¹ Texas
Agriculture	24.6%	18.2%	4.4%
Mining	3.6	1.2	2.4
Construction	6.4	4.9	7.0
Manufacturing	3.2	10.4	17.4
Communications, Transporta- tion, Utilities	4.1	5.3	6.4
Wholesale and Retail Trade	17.9	25.2	20.9
Finance, Insurance, Real Estate, Services & Other	40.2	25.5	29.9
Government	<u>3.0</u>	<u>9.2</u>	<u>11.6</u>
TOTAL	100.0%	100.0%	100.0%

¹ U.S. Department of Commerce, Bureau of the Census. General Social and Economic Characteristics. Texas. P(91)-C45 Tex., April 1972.

² U.S. Department of Commerce and Agriculture. OBERS Projections of Economic Activity in the United States. Volume II. BEA Economic Areas. Washington, D.C., 1972.

The consequence of a growing population and limited employment growth in Starr County is a high unemployment rate. The unemployment rate is about 28.4% compared with the State's 4.8% (Table 5).

Agriculture is the most important productive sector in Starr County. Table 6 indicates that vegetables and citrus crops are the most important agricultural products.

Manufacturing activity in Starr County and the surrounding region is relatively limited. The production of large volumes of produce has resulted in a number of processing plants, which represent about 29% of Starr County's manufacturing activity. However, these plants and the employment generated are seasonal in nature. Textile and brick manufacturing are the other principal areas of manufacturing activity.

Interviews with local industrial development agencies indicate that since the 1973 change in oil prices there has been a spurt in industrial development in the BEA Area due to the warm climate and the availability of oil and natural gas. However, this activity has been concentrated in Hidalgo and Cameron Counties, and Starr County has yet to benefit significantly from this activity. The Starr County Industrial Foundation is working to attract industry to the area.

Another important productive activity in Starr County has been open pit mining of sand and gravel. These supply raw materials to cement and building materials companies in the area. These commodities are currently not shipped on the subject rail line.

TABLE 5

EMPLOYMENT, UNEMPLOYMENT AND LABOR FORCE
IN STARR COUNTY AND IN THE STATE OF TEXAS
1976

	<u>Labor Force</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	<u>Total Employment</u>
Starr County	6,751	1,916	28.4	4,835
State of Texas	5,525,000	318,000	5.8	5,217,000

Note: Total employment includes resident wage and salary workers, self-employed, unpaid family workers and domestics in private households, agricultural workers and workers involved in labor-management disputes.

Source: Labor Force Estimates for Texas Counties, Annual Average 1976
by Texas Employment Commission, Austin, Texas.

TABLE 6

**CROP PRODUCTION IN STARR COUNTY
1971 and 1976**

<u>Crops</u>	<u>Acres Harvested</u>	
	<u>1971</u> ¹	<u>1976</u> ²
	<u>Starr</u>	<u>Starr</u>
Upland Cotton	2,400	0
Wheat	0	1,500
Sorghums--Grain	10,700	47,300
Silage	0	0
Hay	1,000	800
Corn--Grain	1,150	1,500
Silage	600	*
Sugar Cane	0	0
Alfalfa Hay	*	0
ALL CROPS	15,850	51,000
 <u>Vegetables</u>		
Cabbage	300	350
Cantaloupe	2,500	2,500
Carrots	200	250
Cauliflower	100	
Cucumbers	100	500
Honeydew melons	1,100	1,800
Lettuce	1,200	1,100
Onions	900	1,700
Green Peppers	300	1,100
Tomatoes	200	200
Watermelons	700	1,100
All Vegetables	7,600	10,780

* Production not disclosed to protect identity of single grower.

¹U.S. Department of Agriculture and Texas Department of Agriculture.
1971 Texas County Statistics. Bulletin 92, August, 1972.

²U.S. Department of Agriculture and Texas Department of Agriculture.
1976 Texas County Statistics. Bulletin 152, September, 1977.

3. Implications of Trends for Future Rail Traffic

Starr County has a growing population but a slowly growing economy. Agriculture, the only dynamic sector, is not likely to generate much employment. With few other opportunities for economic growth, unemployment and limited economic growth are likely to be continuing problems. In the longer run, Starr County could benefit from the rapid growth in neighboring counties and from its proximity to Mexico.

This demographic and economic overview has a number of implications for rail traffic in Starr County:

- Produce growers and processors, the economic base of the County, ship a majority of their products by truck. However, significant amounts still move by rail and rail service provides a valuable alternative in times of truck shortages (see Table 7). Rail has remained important to the produce industry because the supply of trucks has never been stable in the region, in part because trucks must return to the region with an empty backhaul. Additional causes of an unstable supply of trucks are:
 - Freight rates too low to attract truckers into the impact area and into the business of hauling fresh produce; and
 - Seasonality of the produce industry and demand for trucks elsewhere.

TABLE 7

COMPARISON OF FRESH FRUITS AND VEGETABLES SHIPMENTS
IN THE MCALLEN-PHARR-EDINBURG BEA REGIONAL AREA
1964-1974

<u>Season</u>	<u>Rail</u> (Percent)	<u>Truck</u> (Percent)
1964-1965	44.8	55.2
1965-1966	36.0	64.0
1966-1967	39.4	60.6
1967-1968	38.4	61.6
1968-1969	38.7	61.3
1969-1970	30.1	69.9
1970-1971	26.3	73.7
1971-1972	20.1	79.9
1972-1973	20.6	79.4
1973-1974	18.6	81.4

SOURCE: Greater South Texas Cultural Basin Commission, Office of the Governor, State of Texas, March, 1977.

- Although agricultural employment is generally declining, this is due to mechanization and does not reflect a decline in production. This means that large volumes of produce will have to be moved to other parts of Texas and the U.S. Some of this produce would be moved by rail.
- Sand and gravel producers, who once relied heavily on rail, have now largely shifted to trucks.
- The growth potential for manufacturing and other sectors in the Impact Area is limited and will not generate much rail traffic in the immediate future.

b. Current and Projected Rail Freight Operations and Traffic

1. Current Rail Operations

Service is presently available on an "on-call" basis.

2. Rail Users

Zarsky Lumber Co. finds rail use a major convenience. It allows the firm to buy materials in bulk several times per year at a favorable rate. Rail use is not projected to increase unless there is a major turnaround in the economy of Rio Grande City.

Camargo Brick Co. depends heavily on rail transportation (72% of its total shipments go by rail) because the economics of truck transportation allow shipments only within a 400-mile radius. Rail transportation

allows the firm to reach many of the major construction markets of the South. In the future they expect to expand into more of these markets, as well as into some markets further north. The brick production plant in Camargo, Mexico, is presently operating at 100% capacity. The plant is scheduled to be doubled in size by 1983. Although no increase in rail shipments is expected by 1980 (see Table 1), the firm could increase its rail use a few years hence.

Starr Farms, Inc., and La Casita Farms, Inc., are the largest employers in Rio Grande City and major employers in Starr County. Almost all of Starr County's produce is grown and processed by these firms. Starr Farms is almost twice as large as La Casita Farms. Both produce the same products, with the exact mix varying annually in response to market changes. Starrsita, located next to Starr Farms' main office and packing shed, directly across the railroad tracks from La Casita Farms' main office and docking shed, is a joint venture of the two firms. Starrsita super-cools certain types of produce for both firms. Both firms use rail transportation as a secondary means of transportation. Each firm has a number of small sheds throughout the southern part of Starr County; the larger ones are located near the rail line. At this time produce from only the main sheds in Rio Grande City is shipped by rail. Both firms plan to add rail spurs to their largest sheds, which have all been recently constructed adjacent to the rail line in order to facilitate greater use of rail. However, rail transportation is not greatly utilized because of the decreasing quality of rail service and increasing freight rates.

Both firms have grown considerably over the last several years. The number of acres planted has risen, as has the amount of produce processed. This trend is expected to continue in the future. This means the total number of railcars used could increase. The exact number will depend on the following:

- competitiveness of truck and rail freight rates
- availability of good-quality railcars
- lead time necessary to obtain the cars
- in-transit time
- size of the harvest
- market demand
- supply of trucks.

Starr Gin and Grain is owned by Hidalgo Gin and Grain Company of McAllen, Texas. The company began operations in Rio Grande City in 1976 with the construction of a 57,314-bushel capacity elevator. To-date, the firm has shipped only four jumbo hopper cars by rail from the facility, due to the poor condition of the rail spur. Mo-Pac is reported to have indicated several years ago that it would repair the spur, but has not done so as yet. If the spur were repaired, the company asserts that 90% of all shipments would occur by rail. This typically would be 75-100 cars annually. Presently all shipments are trucked. The parent company seriously doubts if this situation will change by 1980.

The new brick plant in Rio Grande City expects to generate between 50 and 100 carloads of traffic annually.

The 1980 traffic projections are summarized in Table 1. The projected level of traffic exceeds the approximate level of 450-480 cars estimated in Chapter II as the "break-even" traffic volume for the carrier.

V. ANALYSIS OF THE IMPLICATIONS OF ABANDONMENT ON THE TRANSPORTATION NEEDS OF THE STATE

a. Relationship of the Line Segment and Its Traffic to the State Rail System and Its Rail Traffic

The Spaulding-Rio Grande City segment is part of a line designated as MP 208 in the U.S. Department of Transportation, Final Standards Classification and Designation of Lines of Class I Railroads in the United States. It is shown as a Category B branchline, indicating that throughout its length (Mission-Rio Grande City) the line carries less than one million gross tons of traffic annually. It connects with Mo-Pac line MP 214 to Harlingen and, thence, to the Mo-Pac's coastal route running toward Corpus Christi and Houston. These connecting lines are Category A branch lines, carrying 1-5 million gross tons per year.

b. Relationship of the Line Segment to Highways, Waterways, and Other Modes of Transportation

The rail roughly parallels U.S. Highway 83, which is the major east-west route in the region. It joins the rail users with the major cities of the region -- Mission, McAllen, Edinburg, Harlingen, San Benito and Brownsville. The McAllen Airport is a 45-minute drive from the most distant point on the segment.

c. Special Considerations

The rail segment currently is the only alternative to truck transportation available to the agricultural industries located in Starr County. Approximately 5% of the State's total vegetable crop is harvested and processed along this segment.

Currently, the produce industry is not dependent on rail transportation but in the past the region has been severely affected by the shortage of truck transportation.

Recently the Railroad Commission of Texas instituted a special procedure for licensing commercial truck companies so as to alleviate the problem of supply in times of distress. Although the problem has been solved temporarily, adequacy of common carrier transport in South Texas is a continuing concern. The increase in fuel costs in the future could change the existing economics of rail and truck transportation, and cause a shift back to rail use in the future.

There is a possibility of a rail line between Rio Grande City and Camargo, Mexico. However, four other communities in the vicinity are also seeking to construct international bridges. Of these, Pharr and Mission have received U.S. Presidential permits, but only Mission has received Mexican authorization to begin construction.

VI. RELATIVE ECONOMIC, SOCIAL, ENVIRONMENTAL AND ENERGY COSTS AND BENEFITS RESULTING FROM THE SELECTION OF ALTERNATIVES

a. Identification of Alternatives

The major impact of abandonment would be that Starr County would be left with only truck transportation. Present rail users include two produce growers and processors, which are major employers. Though both firms use truck transportation principally, the area has suffered from periodic truck shortages. The rail user generating the largest volume of carload traffic (300 railcars or 78% of all traffic in 1977) ships bricks manufactured in Mexico. A new firm, about to begin brick production, expects to ship 50-100 railcars per year and would significantly curtail operations should the rail line be abandoned.

Numerous alternatives to abandonment of the Spaulding-Rio Grande City rail line could be considered. However, practical considerations eliminated all but one from detailed analysis. The location of all rail users at the far end of the line precluded stub-end segmentation. The present and projected future demand for rail service appeared insufficient to warrant creation of a short-line operation. Thus, a decision was made to limit the selection of alternatives to the single potential project offering the highest benefit to the public: continuation of all service on the Spaulding-Rio Grande City line. This alternative could require one-time capital assistance amounting to approximately \$5,000 to rebuild the rail spur serving Starr Gin and Grain. A temporary operating subsidy, primarily to cover a "return on value" element, could also be required to allow time for anticipated increases in rail traffic to develop. Operating results for 1977 showed a small deficit based on

our technical analysis, but a small (unspecified) profit according to Mo-Pac. Performance for 1977 was influenced by a poor harvest, which reduced the volume of traffic. That fact, combined with the recent location on the line of a new rail user, suggests that rail traffic carried on the line is likely to increase. Given the generally good condition of the rail line and the favorable outlook for traffic increases, no operating subsidy may be required.

b. Economic, Social, Energy, and Environmental Costs and Benefits

Table 8 compares the likely impacts of abandonment of the Spaulding-Rio Grande City line with the alternative to abandonment considered. The specific economic, energy, environmental and community impacts presented in the table include:

- Employment - Net change in employment resulting from the loss of jobs in businesses adversely affected by abandonment less the increase in jobs due to additional workers employed in trucking (or other activities).
- Payroll - The net change in payroll estimated to be associated with the change in employment.
- Unemployment - The net change in unemployment anticipated as a result of the abandonment.
- Transportation Costs - Additional costs of transporting goods by alternative mode (e.g., truck) to the nearest rail head, annualized capital costs for new transportation facilities such as trucks and loading docks.

- Investment - Investment lost (especially in recently constructed rail facilities) and future investment that would not be made should rail service be abandoned.
- Taxes - Local taxes lost (or in the long term, foregone) due to abandonment of the rail line, closing of certain plants, or decisions to cancel planned investment.
- Other Public Costs - Increase in unemployment compensation.
- Energy - Net change in fuel consumption due to a shift to alternative transportation modes.
- Environmental Effects - Change in air emissions such as increase in hydrocarbons, nitrous oxides, carbon monoxide and particulates due to change in fuel consumption resulting from modal shift.
- Community Effects - Change in development potential and population that is likely to occur in the Impact Area as a result of the cumulative effects of abandonment.

If rail service is abandoned, the local companies would have to absorb estimated added transportation costs of \$93,800 in the short-term. Abandonment of the rail line would decrease the development potential of Rio Grande City. Trucks would be used to move all of the County's produce.

TABLE 8

Socioeconomic Impacts of Abandonment for the
Spaulding to Rio Grande City Rail Segment

	Annual Impact	
	<u>Abandonment</u>	<u>Continue Service with Subsidy</u>
ECONOMIC IMPACTS		
<u>Employment Changes</u>		
Direct employment		
Current	15	0
Future	10	0
Unemployment		
(Number)	Negligible	0
(Rate)	Negligible	0
<u>Payroll¹</u>		
Current	\$250,000	0
Future		0
<u>Transportation Costs¹</u>		
Change in cost of transporting goods - Current	\$93,800	0
Change in cost of transporting goods - Future (1980)	\$150,838	0
Capital cost of facilities and equipment - Current	0	0
Capital cost of facilities and equipment - Future	\$150,838	0
<u>Investment¹</u>		
Amount of investment lost (companies)		
Current	\$300,000	0
Future (foregone)		0
<u>Taxes¹</u>		
Amount of local taxes lost (companies)		
Current	\$1,000	0
Future	\$1,000	0
Amount of railroad taxes lost		
Current	\$4,000	0
Future	\$5,000	
<u>Other Public Costs¹</u>		
Net change in unemployment benefits	Negligible	0
ENERGY IMPACTS		
<u>Net Change in Fuel Consumption (gallons per year)</u>		
Current	9,300	0
Future	11,987	0

Table 8 (Continued)

	Annual Impact	
	Abandonment	Continue Service with Subsidy
ENVIRONMENTAL IMPACTS		
<u>Net Change in Emissions (lbs. per year)</u>		
<u>Current</u>		
HC	219	0
NO _x	3,438	0
CO	2,298	0
SO _x	186	0
Particulates	95	0
<u>Future</u>		
HC	283	0
NO _x	4,429	0
CO	2,961	0
SO _x	239	0
Particulates	122	0
<u>Impact on Air Quality</u>	Minimal	
COMMUNITY IMPACTS		
<u>Change in Population</u>	Negligible	0
<u>Change in Developmental Potential</u>	Some	0
SUBSIDY COSTS ¹		
<u>Operating Subsidy</u>	0	\$0-\$15,000
<u>Capital Subsidy (one-time grant)</u>	0	\$5,000

¹All dollars are 1977 constant dollars.

Source: Arthur D. Little, Inc., estimates

Zarsky Lumber Company would not have to change its operations significantly should the line be abandoned. The added cost of transportation would likely be passed on to the consumer.

Camargo Brick Company would be forced to relocate, due to its dependence on rail transportation, either to Mission or McAllen, in Hidalgo County. While Starr County would lose 15 jobs, the BEA Region would not lose any. However, the current employees could probably keep their jobs since both communities are easily within commuting distance.

Camargo Brick Company would have to absorb the additional cost of transportation, due to the competitiveness of its markets. The firm estimates that the cost of moving to a new location and the purchase of new equipment to facilitate traveling the additional distance from the plant in Mexico would be \$200,000. It would also be necessary to hire two more employees.

Both Starr Farms, Inc., and La Casita Farms, Inc., would have to absorb the additional cost of transportation due to the competitiveness of the industry. This might force a shift in the mix of crops grown. The additional cost of transportation is not as great an issue for these growers, processors and shippers as is the availability of transportation. If the firms foresee a shortage of truck transportation, total acreage planted may decline. If a shortage occurs when none is anticipated, crops would be left in the fields to rot. Unless the firms find that truck transportation meets their demands for transportation, the growth of this industry within Starr County, the Region,

and the State will be diminished. However, it has been noted that although shortages of trucks have been a problem in the past, the problem has been alleviated at least for the time being.

Both firms would probably continue operations in the event of an abandonment. In the short-term, it is likely that few changes will be made in operations. The major impact will probably be a re-examination of investment plans.

Nordmeyer, Inc., would significantly curtail its operations, resulting in the loss of about 10 jobs and in much higher transportation costs.

The additional highway traffic generated by abandonment would not tax the highway system as it presently exists. The State plans to widen U.S. Highway 83, which runs parallel to the rail segment, before 1988, whether the line is abandoned or not.

As shown in Table 8, continuation of all service on the line would avoid all of these impacts but could require the expenditure of public funds.



VII. EVALUATION OF METHODS OF ACHIEVING ECONOMIES IN THE COST OF RAIL SERVICE OPERATIONS ON LINES ON WHICH SERVICE WILL BE CONTINUED

a. Applicability of Various Methods for Achieving Economies

Service on this rail segment is presently being provided on an "on-call" basis. One means of achieving some economies without discontinuing rail service would be to set a minimum on the carloads or tons that would be moved on the line at any one time. Coupled with this change, or instead of it, Mo-Pac might also defer all but essential maintenance on the rail line. The trackage is in good condition now; thus, the level of maintenance required to keep it operating at a safe level should be minimal. This would be a false economy in the long run. Of course, these methods could be considered as the first stage of a phase-out of service on the line.

VIII. COMPETITIVE OR OTHER EFFECTS ON OR BY PROFITABLE RAILROADS

a. Competition

The transfer of most service from the Rio Grande City to the McAllen and/or Mission rail head would not materially affect the competitive situation existing between the Mo-Pac and other rail lines in the Region.

This is because the amount of traffic diverted to other modes of transport is a small amount of the total handled by the Mo-Pac system.

b. Profitability

Abandonment of the line would probably result in a small increase in the profitability of the Mo-Pac. In 1977, it appeared that the segment showed an operating loss of \$12,384. Elimination of this loss would be the principal benefit to the railroad of abandonment. However, Mo-Pac recently indicated that the segment is now profitable as a result of increased revenues. Mo-Pac is presently profitable on a system-wide basis.

IX. CONSIDERATIONS RELATING TO RAIL BANKING

The Spaulding-Rio Grande City segment is not considered a candidate for rail banking at this time. The forecast of future development carried out in this analysis does not indicate a strong potential that would generate a large volume of rail traffic requiring rail facilities in the foreseeable future. In addition, there appear to be no major agricultural or fossil fuel developments that would be hindered by loss of rail service.

X. DESCRIPTION OF THE ALTERNATIVES EVALUATED TOGETHER WITH AN ANALYSIS OF THE RELATIVE ADVANTAGES, DISADVANTAGES, AND COSTS ASSOCIATED WITH EACH ALTERNATIVE

a. Brief Description of Alternatives

In Section VI, one alternative to abandonment was discussed for the Spaulding-Rio Grande City segment; namely, continuation of all service and provision of a temporary operating subsidy if necessary. Furthermore, a capital subsidy for the rehabilitation of rail sidings where needed (e.g., Starr Gin and Grain Company) might be indicated.

If the line were abandoned, as proposed, one user, Camargo Brick Company, might have to relocate its storage operations (manufacturing operations are in Mexico) since it is dependent on rail service. The company estimates its relocation costs at \$200,000 plus the cost of hiring two more employees than the 15 it currently employs at Rio Grande City. Two other major shippers would utilize trucking, but would lose the advantage of having rail service available during peak produce seasons when truck availability is often a problem. A new brick plant would also be greatly impacted by an abandonment resulting in the loss of 10-30 jobs and \$250,000 of investment. Other rail users could switch to truck transportation.

b. Movement of Existing and Future Traffic by Rail and Alternative Modes

The area has other transportation available. U.S. Highway 83, the major east-west route of the region roughly parallels the rail line, joining rail users with the major cities of the region--Mission, McAllen, Edinburg, Harlingen, San Benito and Brownsville.

c. Identification of Costs Associated with Alternative

The segment appeared to be operating at a deficit in 1977 but may now be profitable. A small subsidy could be required by the service continuation alternative. Based on the 1977 revenue-cost estimates, the operating subsidy would be on the order of up to \$15,000, not including a return-on-investment consideration, and depending on whether additional traffic materializes. The most recent available carload data for the line are for 1977, a year of poor harvests in the area. A new rail user, recently located on the line, expects to generate 50-100 railcars per year. This favorable outlook for traffic suggests that future rail traffic should reach the breakeven volume of 450-480 cars estimated in Chapter II. A capital subsidy of about \$5,000 for rehabilitation of the spur serving Starr Gin and Grain might also be provided.

d. Selection of an Alternative

The significant benefits of major employment opportunities associated with continued service warrant further consideration of this alternative, particularly because any public costs associated with it appear to be small.

XII. STATEMENT OF THE STATE'S FUTURE ROLE ON EXPIRATION OF
FEDERAL ASSISTANCE

Should a temporary subsidy be required for continued operation of the line, no State assistance is currently expected upon expiration of the subsidy period.

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