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New rail line means shorter shipping route to Mexico

By BILL HENSEL JR. Copyright 2009 Houston Chronicle

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Steve Campbell Chronicle

A container trailer is loaded onto a flat car at a Kansas City Southern facility in Beasley, between Rosenberg and Victoria.

Railroad competition around Houston is expected to pick up steam with the opening of a newly reconstructed rail line to serve the market.

Sometime between April and June, Kansas City Southern Railway is set to open a 90-mile link southwest of Houston between Victoria and Rosenberg that will shorten the current Texas-Mexico route by 70 miles for the nation's sixth-largest railroad company.

The "new" line actually is an old one that's been out of service for years but was never abandoned.

"Rehabilitation of this line will eliminate the need for Kansas City Southern to operate more than nearly 160 miles of Union Pacific-controlled track, which is a heavily congested rail corridor," company spokeswoman Doniele Kane said in an e-mailed statement, referring to the current route through Flatonia.

Union Pacific long has been the dominant carrier in Houston, particularly after acquiring Southern Pacific a decade ago. Kansas City Southern, which pays UP to use its tracks, was granted some track rights and the right to buy the dormant line as a condition of the merger. The rails previously belonged to Southern Pacific.

Along with the new line, the railroad has opened the first phase of a shipping facility near Rosenberg in Fort Bend County. A \$300 million distribution and rail center on more than 800 acres also is in the works.

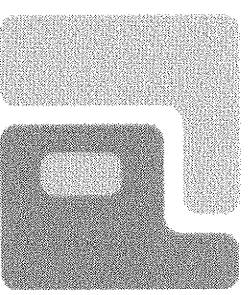
The new shipping center is being developed by

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the railroad and CenterPoint Properties of Illinois, and Kane said they are in final negotiations with a "major consumer products company" that intends to develop a regional distribution hub there, although she wouldn't reveal the potential tenant.

Goods from Asia

Kansas City Southern is trying to create a line to bring products from Asia to the U.S. via the Mexican Pacific coast port of Lazaro Cardenas, said UBS Analyst Rick Paterson, who covers the company. Taking goods into Mexico has allowed shippers to avoid congested Southern California ports that typically receive Asian containers.

"So they have got to either build or expand their train terminals all along that route, and Houston is a critical location," Paterson said. "It enables them to load and unload containers in Houston."

That could mean competition not only with the likes of other railroads but also the Port of Houston, which competes for Asian goods through the Panama Canal.

Union Pacific spokesman Joe Adams acknowledged the line will increase competition in the region. Wade Batties, acting executive director at the Port of Houston Authority, said in the long run, he thinks the opportunities outweigh any potential competition.

Saving time, money

Revitalizing the dormant line will save Kansas

City Southern time and money because it won't have to weave a circuitous route over Union Pacific track, which requires additional train crews, said Paul Broussard, president of Houston-based Broussard Logistics.

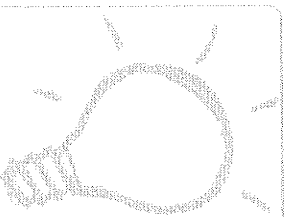
There's been some pushback from some cities that had grown used to the track being dormant. The railroad is working with the state and city officials in El Campo and Victoria on future bypasses, according to the Texas Department of Transportation.

The first phase of the Rosenberg shipping center opened Jan. 19.

"With this line, KCS will have a new product offering unlike anything we have seen in recent years," Kansas City Southern Chairman Michael Haverly said in a weekly memo to workers. "We are very encouraged by the level of interest from potential customers."

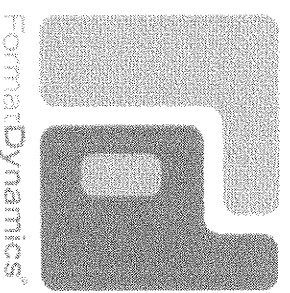
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