March 29, 2006

Mr. Ric Williamson, Chairman
Texas Transportation Commission
125 East 11th Street, Second Floor
Austin, Texas 78701-2483

Subject: Trans Texas Corridor - 35 Freight Railway Ready for Development Request

Dear Chairman Williamson:

This letter is issued pursuant to the Comprehensive Development Agreement dated March 11, 2005 (the “CDA”) by and between the Texas Department of Transportation (“TxDOT”) and Cintra Zachry, LP (the “Developer”).

The Developer has determined that a new grade-separated freight railway from the Dallas-Ft. Worth Metroplex to the U.S./Mexico border for the movement of goods is timely. Our plan is to begin this new rail alignment development where perceived need is most critical, the Ft. Worth region. This new railway would have substantial national, statewide, and regional benefits by adding capacity and increasing efficiency for freight transportation. Therefore, we are pleased to notify you that the Developer considers this new transportation infrastructure “Ready for Development.”

TxDOT “Texas Transportation Challenge”

The Developer believes that, at a minimum, the railway would be routed so as to provide the Class 1 freight railroads (Railroads) operating within the major urban areas, such as Dallas/Ft. Worth, Austin, San Marcos, and San Antonio along TTC 35 a new “state-of-the-art” rail infrastructure for the movement of goods. The new freight railway is expected to provide the following benefits relative to the five Goals listed in “The Texas Transportation Challenge”.

Goal – Reduce Congestion

There is already substantial rail congestion in Texas urban areas that in turn causes rubber-tired congestion at the hundreds of at-grade rail crossings. This rail congestion has an immediate local effect at the rail crossing, but also has a
“domino effect” that can extend beyond the crossing out into substantial portions of the surrounding highway system. For example, a rail intersection known as “Tower 55” in the Metroplex has rail delays (known as signal occupancy) of up to a full day for a single train. A properly engineered and located state-of-the-art new grade-separated freight railway will add capacity and efficiency to the existing Texas rail system and reduce the domino effect of congestion at rail crossings. New and more efficient grade-separated rail capacity could attract existing rail traffic away from the urban areas thereby reducing the delays for both rail and rubber-tired vehicular traffic at these intersections like Tower 55. As a result Texas will benefit from more efficiency in transportation overall and the Railroads will reduce their capital outlay for operation of their assets.

New freight rail infrastructure will also reduce travel time for freight to and from destinations in southern Texas and Mexico by as much as two hours due to the faster average speed trains can travel on the high quality grade-separated infrastructure. This will likely attract more goods to rail thereby reducing the number of trucks moving goods between the U.S. and Mexico, as well as within Texas.

The new rail infrastructure development will seek to optimize the routing most likely to attract the Railroads away from urban areas. Less rail congestion in urban areas like the Metroplex will allow passenger rail systems such as Amtrak, TRE and DART to run their present routes more efficiently. In addition, reduced congestion on the existing Class 1 rail lines opens up capacity which may allow for higher volumes of freight transport and/or possibly passenger rail use in the Austin-San Antonio corridor.

**Goal – Enhance Safety**

When a new grade-separated railway is constructed, trains and rubber-tired traffic will no longer share a common intersection. This substantially increases the safety for the railroad and the traveling public for every freight train that shifts from at-grade trackage to grade-separated trackage.

New grade-separated railway outside of urban areas will also provide an alternative and expedient route for hazardous materials (HAZMAT), the majority of which are already transported via rail as the safest transport method. By transporting HAZMAT along rail that does not encounter vehicular traffic, i.e. grade-separated, HAZMAT movement would be safer for the surrounding neighborhoods in those urbanized areas.
Another safety improvement that could occur is a reduction in what are known as "Trespasser" issues. As a substantial amount of the freight traffic is moved away from the existing railways in urban areas onto the new rail some mitigation of these issues is likely.

Rail relocation has unique engineering design and right-of-way challenges. Existing rail infrastructure is likely to remain after new grade-separated railway is built. The Railroads are common carriers with on-going obligations to their local and regional customers. The positive economic impacts created by the historic presence of Railroads will continue in the urban areas through which they pass. Eventually, the growing and expanding population encroached upon "old" rail infrastructure, putting residents closer to the rail. As a result, the noise from the railroad operations (which initially was far from earshot of many in the population) can be more readily heard. By providing freight rail infrastructure remote from the urban areas there would be a reduction in the complaints that both the Railroads and public officials now hear on a regular basis.

Goal – Expand Economic Opportunity

Presently, the vast majority of freight that moves through Texas is carried via truck. Shippers typically pay higher rates to ship via truck than via rail. The addition of substantial railway capacity would create the opportunity for shippers to move more of their goods via rail. This would likely reduce shipping costs with the savings likely transferred to the consumer directly or indirectly.

As the capacity, speed and efficiency of the Texas rail infrastructure increases, overseas shippers may also look at Texas as an opportunity to move their goods, particularly those goods that lose value with age and those that are perishable. More efficient movement of goods will also attract manufacturers who would want to take advantage of the opportunities associated with "just-in-time" delivery, lower inventory management costs and minimization of storage needs. Additionally, with the railways located outside of the urban areas, the types of new businesses presently locating near railways can be more varied.

Further, throughout U.S. history, population increases occur near railroads as this ensures more efficient access to food, building materials and raw materials needed to create and sustain an economy. The Railroads provide the means for people to not only survive, but to thrive. However a century ago, no one foresaw just how helpful railroads are for the local economy. The economic boost that railroads have created has also begun to have a limiting effect in the urban areas due to congestion and the population's need for more room to develop.
A new state-of-the-art railway that is grade separated may be the infrastructure needed to help the Railroads once again bring about the vitality they created earlier in Texas history. By providing new capacity, the Texas rivers of trade can "flow" more efficiently in the 21st century Global economy by removing many of the constraints.

**Goal – Improve Air Quality**

As present urban area rail congestion decreases, there will be less idling of locomotive and rubber-tired vehicles. This will directly improve air quality in those areas where congestion exists. For example, if the delay for the 360 trains per day, usually with two locomotives, projected to cross through the Metroplex’s "Tower 55" intersection in 2025 were to reduce their idling time by one hour per day, more than 430,000 pounds of Nitrogen Oxide (NOx) emissions per year would not be released into the Metroplex’s air. And this emission reduction doesn’t take into account the emissions from the vehicular traffic delayed at the railroad crossings.

Once rail congestion is reduced and the Railroads are less constrained, efficiencies in the movement of freight will be realized. This opens the opportunity to even more freight via rail. Indeed, the construction of a new grade-separated freight railway from the Dallas-Ft. Worth Metroplex to the U.S./Mexico border could benefit the development of new inland ports that would compete with existing saturated ports. These new inland ports would generate new long-distance freight traffic that could be more efficiently carried by rail than by trucks, therefore reducing the impact in the air quality of the corridor.

The conversion of inducted freight from truck to rail would result in a reduction in the NOx emissions and in savings of hundreds of thousands of gallons of fuel.

The air quality improvement created by shifting goods from trucks to rail and enticing Railroads to move out of the major urban areas, like the Metroplex, would help in assuaging the “non-attainment” status of urban areas along the TTC 35.

**Goal – Increase the value of transportation assets**

In the next 25 years, the population of Texas is projected to increase by 64 percent. This would lead to an increase in the volume of goods that need to move into and through Texas. By increasing the rail infrastructure in Texas, the added volume of goods could be moved via rail rather than by truck, thereby extending the life cycle of the existing highway pavement infrastructure.
According to the FHWA, for every mile driven by a 60,000-pound truck on Texas Interstate pavement, approximately 10 \% cents of pavement damage occurs. If the freight from the previously mentioned one million truck trips made from Mexico on to Texas highways was again shifted to rail, more than $100,000 per mile worth of pavement damage to Texas Interstates is avoided. This could translate into tens of millions of dollars in annual savings in interstate highway maintenance costs for the State.

If, as already discussed, the Railroads were attracted to the new grade-separated railway, fewer freight trains would be traveling through Texas urban areas like Dallas/Ft. Worth, Austin, San Marcos and San Antonio. This would open up rail capacity that may lead to opportunities for passenger rail service for entities like DART to expand their service area. With more robust service, even more drivers could choose to use passenger rail thereby reducing traffic on the highways and postponing the date when demand exceeds highway capacity.

**Financial**

Grade-separated rail infrastructure is far more efficient and safe, but it is also more expensive to construct than traditional at-grade rail infrastructure. As various routes for the new railway are studied based on the draft and/or final Tier-1 EIS footprint, capital cost estimates will be performed. Presently, private financing is the focus of the Developer’s effort through the use of revenues generated from railroad operators and shippers using the new infrastructure. But as the development continues, it may be necessary to look to such sources of funds as the “Rail Relocation Fund” passed as Proposition 1 in November 2005 or other Federal and State financial tools because of the higher capital cost for grade-separated rail infrastructure.

It is important to note that achieving the value and benefits described herein, the new rail infrastructure will be developed as an extended system connecting the Metroplex to the Border. Long individual segments that connect major urban areas to each other or to key rail networks need to be commissioned.

**Cooperative Partnership Between State and Railroads**

A key factor for determining to advance the development of freight rail to a Near-Term Facility under TTC-35 are the Memoranda of Understanding between the State of Texas and the Union Pacific Railroad and the BNSF Railway Company signed in March 2005. We look forward to working with TxDOT, and its Class 1
railroad partners, in understanding, evaluating, and implementing new concepts for grade separate rail along an alignment in the TTC-35 corridor. Once opened for service, the new facility will be available to any railroads and shippers.

The Developer requests TxDOT’s written concurrence with this determination of Ready for Development.

Very truly yours,

CINTRA ZACHRY, LP

By: CZ GP, LLC its sole general partner

José María López de Fuentes
CEO

[Signature]

Klaus M. Brown
VP

[Signature]