

Procter & Gamble

The Procter & Gamble Company
General Offices
1 Procter & Gamble Plaza, Cincinnati, Ohio 45202-3315

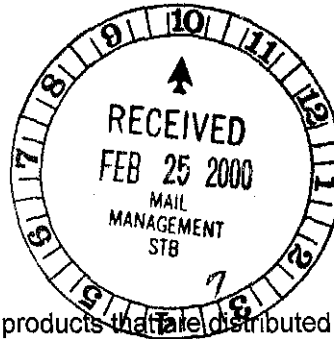
February 22, 2000

Surface Transportation Board
Office of the Secretary
1925 K Street, NW
Washington, DC 20423-001

ENTERED
Office of the Secretary

FEB 28 2000

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Public Record



Dear Secretary,

Procter and Gamble is a major manufacturer of consumer products that are distributed worldwide with sales exceeding \$38 Billion annually. Rail is the key mode of transportation for our inbound and interplant materials, as well as outbound chemicals. Our annual rail shipment volume is over 27,000 carloads, and we use all of the major Class I railroads along with several regional railroads for these rail shipments.

P&G supports the STB's decision in the BNSF/CN docket to examine carefully the BNSF/CN proposed control application, including all of the effects it could have on the rail transportation industry. The Board should not look at the BNSF/CN transaction in a vacuum. It should consider the effects that further mergers and consolidations in the rail industry will have on shippers. P&G also applauds the Board for its decision to solicit public comment and hold a hearing, before BNSF and CN file their application, to begin to address the effects of the proposed BNSF/CN transaction and potential future rail consolidations on the structure of the rail industry in North America.

P&G believes that any further mergers or consolidations involving Class I railroads will not be beneficial to shippers in North America. P&G has experienced the effects of the service disruptions caused by rail mergers over the past several years, including the merger of the UP/SP and the Conrail split. In fact, we are still feeling the effects of this most recent change in the East with the Conrail split. In each case, the recovery from the consolidation has been a long, expensive and resource consuming process for P&G. The result of these consolidations, relative to service and ongoing cost, has not been worth the expense, and the trend has clearly been that some shippers "win" and some shippers "lose" from these consolidations, depending on where their freight moves. For P&G, two of these consolidations have been classified as failures and one as break-even. In addition, as further cost cutting and streamlining takes place in the "new systems" produced by these consolidations, P&G as a shipper has continued to lose from a service and cost standpoint.

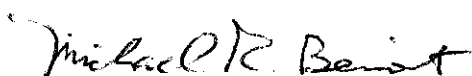
The task from this point forward for the railroads is to concentrate on completing their integration work and delivering on all the benefits that shippers were promised prior to the STB approving these mergers. More mergers and consolidations are unnecessary. The rail industry has shrunk down to six large railroads, and this new structure, coupled with the rapid advances in information technology, offers the rail industry opportunities to improve their service without any additional mergers. The railroads should concentrate on pursuing cooperative initiatives to improve interchange service, projects to coordinate dispatching and operations in complex terminal areas, and more effective utilization of their information technology to better serve all rail customers.

As the number of Class I railroads has decreased over the past several years, the competitive options available to P&G as a shipper have also decreased. Any further major consolidations, like the BNSF/CN, will apparently lead to more mergers and consolidations as implied in the open letters to shippers published by the CP/CSXT/NS/UP. More mergers and consolidations will translate to less competition. By far, the majority of the railroad cost and service benefits that P&G has realized over the past several years has been in the situations where competition existed for the given freight movement. Benefits

realized in non-competitive situations came only as a package tied to those situations that had the competition. P&G believes that more competition is needed in the rail industry as opposed to controlling the railroads via more regulation. However, if the level of competition is allowed to decrease through any further mergers and consolidations, then regulation will be the only alternative left for control of the rail industry and protection of shipper interests.

STATEMENT

I, Michael R. Benoit, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of The Procter and Gamble Company. Executed on February 22, 2000.

A handwritten signature in black ink, appearing to read "Michael R. Benoit". The signature is fluid and cursive, with the first name "Michael" and last name "Benoit" being clearly legible, and "R." as a small initial in the middle.

Michael R. Benoit
N.A. Rail Process Manager
The Procter and Gamble Company

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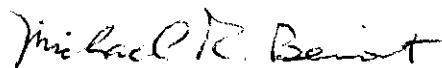
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