



LUMBER FAIR TRADE GROUP

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Alexandria VA 22306

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Jack O. Andresen
Executive Director

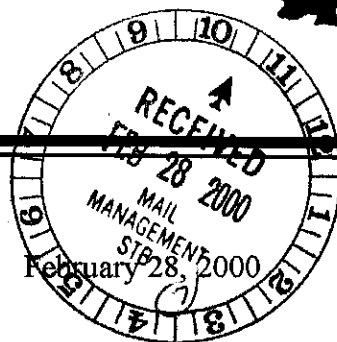
Consultant • International Affairs • Government Relations

Secretary
Surface Transportation Board
1925 K Street NW
Washington DC 20423

ENTERED
Office of the Secretary

FEB 28 2000

Part of
Public Record



RE: Ex Parte 582
Public Views on Major Rail Consolidations

Dear Sir:

The Lumber Fair Trade Group is pleased to offer the following views for the Board's consideration in the above referenced proceeding.

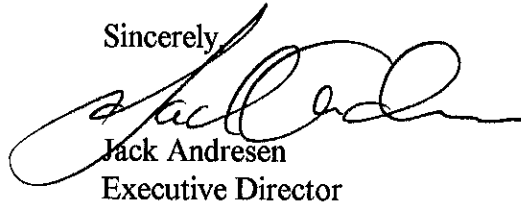
During the twenty years since the passage of the Staggers Act of 1980, we have witnessed a severe decline in the number of U. S. Class I railroads. This has also been accompanied by the consolidation in the number of foreign and domestic companies producing forest products. U. S. Independent wholesale distributors of forest products banded together for the purpose of seeking redress for what we perceive as anti-competitive marketing practices of the Western Canadian lumber producer cartel. A portion of that marketing activity involves how railroad freight cost is inflated and passed on to disadvantaged independent wholesale distributors of forest products. This allegedly predatory pricing practice is commonly referred to in the lumber industry as "railroad phantom freight". It is called railroad phantom freight because of the secrecy surrounding it. The Negotiated Rates Act of 1993 specifically outlawed similar phantom freight practices participated in by the U. S. trucking industry.

The Lumber Fair Trade Group contends that railroad phantom freight is evidence of collusion between a western Canadian lumber producer cartel, through certain foreign forest products trade associations, to use transportation methods as a disguised means of fixing, or artificially enhancing, prices to U. S. consumers, including independent wholesale distributors of forest products. Certain records, like the freight bills, accounting records and contracts - which could prove this contention - are secretly concealed and maintained in Canada beyond the jurisdiction of U. S. law enforcement and U. S. courts. This concealment has created an undue obstacle to the interchange of commerce, including forest products, between Canada and the United States. Legislative relief patterned on the U. S. Negotiated Rates Act of 1993 is needed to address the railroad version of this insidious practice.

The Lumber Fair Trade Group strongly opposes any further consolidation in the Class I rail industry. We question a policy of allowing a foreign controlled entity to purchase a U. S. Class I railroad and move portions of its management and rail freight and accounting records beyond the jurisdiction of the Surface Transportation Board. For example, Canadian law mandates that the majority of the board of directors of all corporations operating in Canada be Canadian citizens. So far, this Canadian control requirement has barred U. S. railroads from operating in Canada. Any such merger must mandate maintenance of **all records**, of **all types**, of the **surviving railroad** be accessible at a site or sites completely subject to the jurisdiction of the Surface Transportation Board, Federal Railroad Administration, U. S. Courts, and law enforcement agencies like the Federal Trade Commission, the Antitrust Division of the Department of Justice, and the Internal Revenue Service. Anything less than complete U. S. legal access to all records would be anti-consumer and not in the public interest.

The U. S. national public interest requires competitively priced rail service that is equitably accessible for all shippers upon request. The U. S. should mandate non-preferential access to service with one freight price for all shippers. We are of the opinion that these massive railroad mergers have already gone too far. Class I railroads already enjoy an unwarranted concentration of economic power. The U. S. urgently needs a minimum of four long haul railroads to support any resemblance to true competition in railroad transportation. Further consolidation within the ranks of Class I rail carriers would be not be in the national public interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Andresen", written over the printed name and title.

Jack Andresen
Executive Director



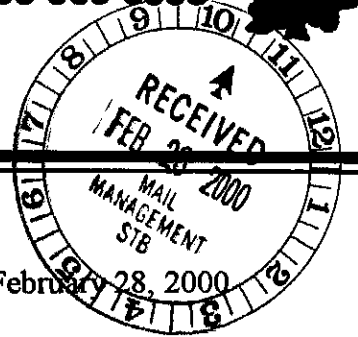
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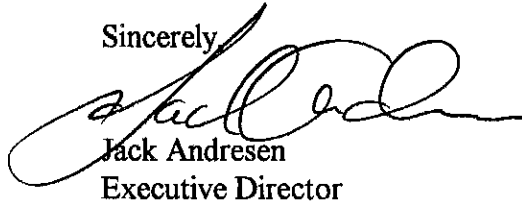
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Jack Andresen
Executive Director