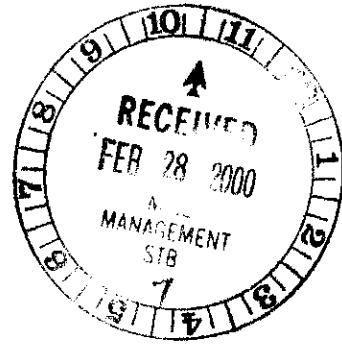


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Westvaco

February 25, 2000



Surface Transportation Board
Office of the Secretary
Case Control Unit, Attn: STB Ex Parte No. 582
1925 K St., N. W.
Washington, D. C. 20423-0001

Dear Sir:

The enclosed statement is being filed for STB Ex Parte No. 582 – Public Views on Major Rail Consolidations.

I am submitting the original and 10 copies of the statement, along with a diskette.

Sincerely,

Steve Ferree
Manager, Rail Logistics

ENTERED
Office of the Secretary

FEB 28 2000

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Public Record

Enclosure

Corporate Center
1011 Boulder Springs Drive
Richmond, VA 23225
Telephone 804 327 6100

Westvaco

Verified Statement of
Stephen Ferree
On behalf of
Westvaco Corporation



Position on the Future Structure of the US Railroad Industry

Westvaco's annual expenses for transportation exceed \$275 million per year, nearly one-half of which is for rail. The company operates rail served paper mills and chemical plants in Pennsylvania, Maryland, Virginia, South Carolina, Kentucky, Texas and Louisiana. Four of these facilities are served by only one railroad. The remaining three facilities, which are served by two competing railroads, experience lower rail transportation, switching and demurrage costs.

Any further consolidation in the railroad industry will significantly reduce competitive conditions.

Westvaco does not support further consolidation among the Class I railroads. Presently there are six major railroads: CSXT, NS, UP, BNSF, KCS and the CN/IC. This past year we experienced a 25 percent reduction when we lost the IC and Conrail. As the number of railroads decline, each new consolidation results in a more significant reduction in competition.

Even though there are competitive conditions in the Conrail acquisition, there were many places where competition was eliminated. Prior to the Conrail split, NS and CSXT used to compete for business out of our Charleston, SC mill to our customers served by Conrail. Now these customers are typically served by NS or CSXT, eliminating the other from competing for the business. The same holds true for our facilities impacted by the proposed BNSF/CN merger.

As the railroads have merged, there are fewer choices and price competition has diminished. Motor carrier transportation can be a competitive force; however, this depends on volume, distance and the product. For some commodities, the only feasible mode of shipment is via rail.

Without competition, there is no incentive for the railroads to provide consistent service levels and low costs.

Westvaco has experienced the effects of the service disruptions caused by rail mergers over the past five years, particularly with the recent changes in the East. Working through these disruptions has been a very resource consuming process. We have yet to experience the expected benefits of better service and reduced transit times that would allow rail to be more competitive with truck. In some cases, we've had to shift from rail to truck due to unreliable service after the Conrail split.

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When prior mergers were under review by the STB, the railroads asserted that those mergers would result in lower costs. We question whether the cost savings will be passed on to the customer. In fact, based on a recent statement from John Snow, CEO of CSX, it appears their intent is to raise rates instead of reducing rates.

Rail-to-rail competition as well as competition between modes is necessary for a healthy rail system.

We do not support returning to the rail regulation that existed prior to the 1980's. However, the pro-competitive aspects of the Staggers Act need to be enforced through the existing regulatory system or through new legislation.

Westvaco supports increased competition in major terminals, trackage rights to promote rail-to-rail competition, rate reasonableness where effective competition does not exist, and shipper's right to reasonable rates over bottlenecks.

A railroad duopoly would not be in the best interests of our nation's economy.

We believe further railroad consolidation will eventually result in two national railroads. Even with the six major railroads that exist today, we're seeing how one railroad can influence price increases for the whole industry. Railroads should be held to the same antitrust standards as any other business.

Competition is the proven foundation for ensuring that our nation's economy remains healthy and competitive in a global market. We believe the railroad industry should operate with those same economic incentives.

Conclusion

Based on our experience, the negative impacts of recent consolidations have outweighed any benefits. The negative impacts include inconsistent transit times, a reduction in boxcar availability, an increase in the use of trucks and an overall increase in the cost of doing business with the railroads.

Without future rail-to-rail competition, there will be little incentive for the railroads to improve service or maintain current pricing levels, particularly for products that can only be shipped economically or safely over rail. The end result of further consolidation will be increased regulation to protect the interests of rail shippers.

I, Stephen D. Ferree, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on February 25, 2000.


Stephen Ferree
Manager, Rail Logistics
Westvaco Corporation