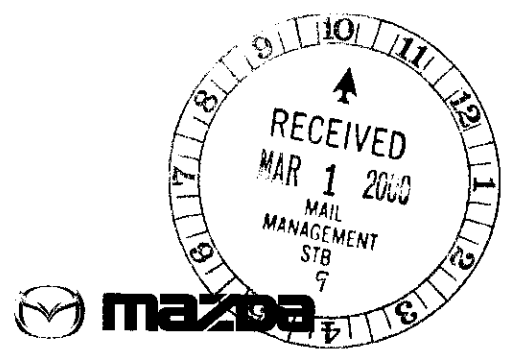


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Mazda North American Operations



February 29, 2000

MAR 01 2000

Dept of
Public Record

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

To Whom It May Concern:

This is to **replace** the packet of material you received on 2/29/00 due to a number being typed incorrectly. We have included 1 corrected original, 10 copies and a diskette for your use.

Please let me know if you have any questions. I can be reached at 949/727-6450.

Thank you for your help with this matter.

Sincerely,

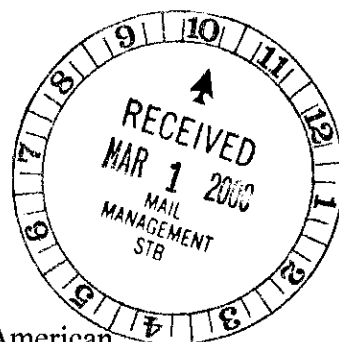
Joan D'Ardenne
Executive Assistant
Logistics

Enclosure



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Verified Statement of
Ronald W. Hitter
In the matter of
Ex Parte No. 582



My name is Ronald W. Hitter; I am Director, Logistics for Mazda North American Operations. My address is 7755 Irvine Center Drive, Irvine, California 92618. I direct the receipt, movement, and distribution of all Mazda vehicles built or sold in North America. I have held this position for three years, and held various Logistics positions at Mazda for eight and one half years prior to that. I have spent my entire career, spanning thirty years, in the automotive logistics and transportation field.

During 1999 we sold approximately 280,000 vehicles in North America, and if all goes according to plan, we will sell approximately 345,000 during 2000. The number of vehicles moving via rail for 1997 through 1999 was 124,846; 132,309; and 144,435; with an annual budget of \$27.4; \$29.4; and \$31.8 million, respectively. This is a mere drop in the bucket when compared to our colleagues at General Motors, but important to us, none the less.

Our average transit time for rail shipments during 1997 through 1999 was 7.2; 8.2 and 9.7 days, respectively. This represents an increase in transit time, or more appropriately, deterioration in service levels of 34.7% over two years. If one assumes an average cost of \$20,000 per vehicle and a prime rate of 8.5%, our inventory carrying costs for 1999 were \$1.7 million higher than they would have been if rail transit times were merely equal to the 1997 pre-merger levels. On top of this, you must add another \$0.3 million in diversion penalties when railcars were unavailable. 1998 costs were similarly \$0.6 million higher because of the transit time deterioration.

I am not, and have not been a fan of rail mergers. Not only have we suffered the added costs outlined above, but also we have suffered numerous computer system problems as merged railroads struggled to combine information systems. We have had loaded railcars reported as empty and mis-shipped, as well as the reverse. We have had EDI waybills drop or disappear for unexplained reasons. We have suffered crew, power and equipment shortages. We have had to deal with misinformation on railcar shipments, inaccurate billing, and billing delays. We must contend with understaffed customer service centers and overworked customer service representatives. We have borne the brunt of misrouted railcars, and increased damages due to excessive railcar handling. Congestion and delays at interchange points and rail yards have been the norm. We have had loads with show cars take up to 36 days to go from California to Texas. And while we all have horror stories, I must mention the railcar that was shipped with 10 new trucks from Edison, New Jersey to Toronto, Ontario that departed on August 25, 1999, and did not arrive until November 13, 1999. Those trucks saw Cleveland more times than my friend Paul Wilcox, and he lived in Columbus.

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JUSTICE

Mazda has two port facilities (one in Port Hueneme, California and the other in Midlothian, Texas) that were served by the Southern Pacific. These facilities were built by and for Mazda's use. Mazda has occupied both continuously for almost twenty years. Mazda had a longstanding relationship with the SP, with satisfactory rates, and outstanding service levels. A railcar could have been shipped from Port Hueneme, and unloaded in Midlothian on the fourth morning. This has been, and is, an important move for us, with 25,000 to 30,000 vehicles per year moving in that single corridor.

During the horror days of the UP meltdown, transit times in that corridor exceeded seventeen days, when and if, we could get railcars to load. I must admit that the UP did much better during 1999, but the standard is now 6 days; a 50% increase, with no feasible alternative. When confronting UP representatives recently, over the deterioration, we were told that the transit time to our facility would never again be four days, but if we, instead, wanted to use the UP facility in Arlington, Texas, we could then again enjoy four day service to Texas. The SP/UP merger hasn't improved anything for Mazda.

We have also incurred increases in transit times of 11% for bilevels and 100% for trilevels into Midlothian from the Chicago interchange. Since we own the facilities in Midlothian, we have no alternative than to bear the indecencies forced upon us since the UP takeover of the SP.

While talking about Midlothian, Texas, I must also mention that there was a period of almost a year, when it was virtually impossible to get empty railcars in Hueneme, California, to load to Midlothian, Texas. The UP Sales and Marketing staff continued to tell us how important our business was, but by their actions, the Operating staff told us we meant nothing. We had to divert shipments to truck at a higher rate, though at a much faster transit.

The divestiture and breakup of Conrail in the east is another situation. Here, we have seen transit times deteriorate from 3.8 and 3.7 days in 1997 and 1998, respectively, to 8.2 for CSXT, and 8.3 days for NS, in 1999. With the more than 100% increase in transit time, we, at least, benefited through significant rate reductions. Competition does work! I firmly believe that transit times will improve in due time, and in the long run, the shipping public will be much better off, even if CSXT and NS paid far too much for the Conrail asset.

Mazda historically utilized three of the four former western railroads; the BN from Tacoma, Washington to points in the northern western states; the UP from Oakland,

California to points in the central band of western states; and the SP from Hueneme, California to the southern band of western states. This was also true in reverse from assembly plants located in Flat Rock, Michigan and Edison, New Jersey, via the Chicago and East St Louis gateways. We now have only two choices, a reduction of fifty percent.

As mentioned, Mazda has an assembly plant in Flat Rock, Michigan. Flat Rock is in southeastern Michigan. The plant was originally served by the Grand Trunk Western Railroad. The GTW was a fine little railroad that happily interchanged to any of the Class I railroads through either the Toledo or Cincinnati, Ohio or Chicago, Illinois gateways. Our rate levels were acceptable, with competitive access to any of the western or eastern railroads. The Canadian National acquired the GTW, and frankly our service and rate structure has not significantly changed. However, competitive access to the Canadian Pacific for shipments to Canada has been effectively eliminated. Former GTW rates and routes to the SOO in Chicago have been eliminated by the CN and an interchange through Ontario has never been available or offered. As a matter of course, we are forced to use the CN. We have lost any flexibility or competition into Canada from our plant.

This now brings me to the issue of the proposed CN/BNSF merger pending before this body. While I am not here to debate the appropriateness of that case, as the STB has a procedure and a process to evaluate that on its merits. I am, however, here to voice grave concerns for the future of Mazda shipments from our plant in Michigan, as well as from ports on the West Coast into our plant, and to ask the STB to rise to a higher level of shipper protection than has been demonstrated in the past.

As stated, the Mazda plant in Michigan is served only by the CN, and currently 70% of our shipments, or between 20,000 and 25,000 vehicles, destined to the west and southwest United States are interchanged to the UP via the Chicago gateway. Similarly, 100% of our shipments, or between 15,000 and 20,000 vehicles, originating in Tacoma, Washington destined to Flat Rock, Michigan, are interchanged in Chicago to the CN, from the UP. We also ship large quantities of intermodal parts from the Pacific Northwest and Pacific Southwest to Flat Rock via the Chicago interchange. If the CN/BNSF merger is approved, and as has been demonstrated by our lack of competitive access to the CP, we could be competitively cut off from access to the UP for westbound shipments, or cutoff from our plant on the UP from the Chicago interchange, for eastbound shipments. This would have a significant and grave impact on Mazda.

Since I have observed life for awhile, I can say that whether you are talking banks, grocery stores, auto manufacturers, or railroads, mergers are rarely better for the

consumer. They are certainly different, but rarely better. The approval of the CN/BNSF merger would most certainly trigger actions on the part of the UP. There are stories of UP/CP discussions, and we have all heard of the UP/CSX alliance, whatever that means. Something would most surely happen there, and within a very short time, North America would be reduced to two transcontinental railroads. I don't think that the combined economies of the US and Canada could stand the disruption that would cause, if history is any indicator of the future, nor could the shipping public stand the elimination of competition and the increase in costs.

I appreciate the opportunity to voice our concerns before this august body. I hope that you will judge the merits of future railroad mergers on an individual basis. However, I sincerely hope that you will take into consideration us small shippers that do not have the economic clout to force competition, or are captive to single railroads that have the ability to eliminate our competitive access to other roads. We must have some form of documented, protected competitive access, either through trackage rights or permanent STB oversight that will last beyond the careers and memories of those represented here and in the boardrooms of the railroads.

The February 21, 2000 issue of Traffic World has an article by John Gallagher (Relief Measure, page 36) "Shipper seeks reopening of BNSF condition that has not provided promised competition"...that warns shippers: "be wary of deals cut for the purpose of maintaining competition." This appears to be a petition filed February 14, 2000 before this very Board, by an aggrieved shipper. While I cannot speak to the merits of that case, I can say that Mazda cannot afford huge legal bills if found in a similar position. There is no such thing as vigorous competition when we only have access to one railroad.

Thank you very much, and I bid you good morning.

I, Ronald W. Hitter, declare under penalty of perjury that the foregoing is true and correct, and that I am qualified and authorized to make this Verified Statement.

Executed this 25th day of February, 2000.

Ronald W. Hitter
Director, Logistics
Mazda North American Operations