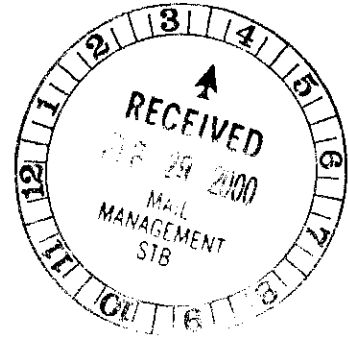




February 29, 2000



Via Hand Delivery

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

FEB 29 2000

Part of
Public Record

Re: STB Ex Parte No. 582, *Public Views on Major Rail Consolidations*

Dear Secretary Williams:

Please find enclosed for filing in the above-referenced proceeding an executed original and ten (10) copies of the Comments of American Forest & Paper Association. Also enclosed is a 3.5-inch diskette containing a WordPerfect 7.0 formatted copy of this filing. An extra copy of the filing is enclosed for stamping and return to our office.

Should you have any questions concerning this filing, please do not hesitate to contact the undersigned. Thank you for your cooperation and assistance in this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "John K. Maser III".

John K. Maser III

Enclosures

ATTORNEYS AND COUNSELORS AT LAW

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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Ex Parte No. 582
PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

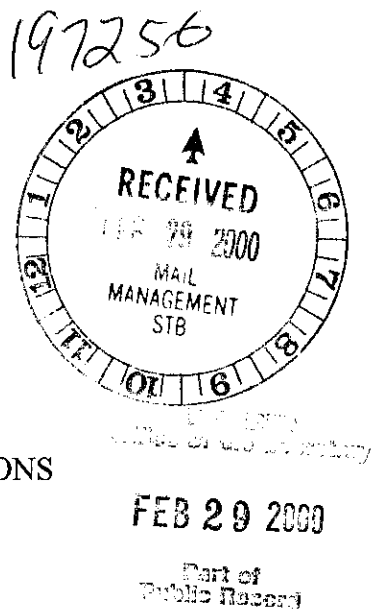
COMMENTS OF AMERICAN FOREST & PAPER ASSOCIATION

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Attorney for American Forest & Paper Association

February 29, 2000



**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Ex Parte No. 582
PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

COMMENTS OF AMERICAN FOREST & PAPER ASSOCIATION

American Forest & Paper Association (“AF&PA”) hereby submits these comments in this important proceeding, pursuant to the Board’s decision herein, served January 24, 2000, and published in the *Federal Register* on January 28, 2000 (65 F.R. 4568). The Board instituted this proceeding to provide interested persons an opportunity to express their views on the subject of major railroad consolidations and the present and future structure of the North American railroad industry. AF&PA appreciates the opportunity to present its views for the Board’s consideration. As indicated below, the forests products and paper industry is the country’s fourth largest user of rail transportation services and it is the largest user of rail boxcars. The forest products and paper industry needs a healthy and competitive rail system.

IDENTIFICATION AND INTEREST OF AF&PA

AF&PA is the national trade association of the forest products and paper industry. Its membership includes large and small forest products and paper companies, forest landowners, tree farmers and affiliated organizations. The forest products and paper industry has total annual sales of approximately \$234 billion, is among the top 10 manufacturing employers in 46 states, and generates 7% of all U.S. manufacturing output. Annually, the industry generates in excess

of \$17 billion in international trade. Transportation represents between 5-25% of sales and is our third highest product cost.

The forest products and paper industry is the fourth largest user of rail transportation in the United States. Significantly, the industry's \$234 billion of domestic flows, combined with the inland portion of its international flows, makes the industry one of the largest commodity shippers in the country. Much of the industry's exports and domestic sales are transported by rail. In fact, the forest products and paper industry moves an average of 24,000 rail carloads in any given week. The industry is responsible for 70% of all railroad boxcar traffic, including 19 million tons of recycled paper, and 95% of all centerbeam lumber car traffic. The industry also represents significant carload volumes of inbound raw materials such as logs, wood chips, coal, chemicals, and thousands of containers carrying finished goods for domestic and offshore distributions.

AF&PA'S POSITION REGARDING MAJOR RAILROAD CONSOLIDATIONS AND THE
PRESENT AND FUTURE STRUCTURE OF THE NORTH AMERICAN RAILROAD INDUSTRY

AF&PA believes that vigorous rail-to-rail competition is necessary for a healthy rail system. AF&PA members are concerned about the changes in the competitive dynamics of the national rail structure. The forest products and paper industry is concerned that the evolving oligopolistic national rail structure will not sustain the low-cost, efficient transportation infrastructure that is needed over the longer term to be globally competitive. The industry believes that vigorous competition between transportation providers, both within a mode and between modes, is the most effective way to ensure that needed low-cost, efficient transportation is available for the shipping public. Without competition, there is no incentive for the railroads to provide consistent service levels, improve and maintain low cost levels, nor furnish adequate supplies of quality boxcar equipment.

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

Change is required to ensure that competition is maintained and enhanced.

In the long run, the following actions would foster competition:

Antitrust Immunity

Railroads should be treated like any other business in this country and should be held to the same competitive standards as any business entity.

Competitive Access

Any further proposed mergers, consolidations or acquisitions of control of Class I railroads must be accompanied by the introduction of competitive access for all rail served facilities. Thus, any facility served by a single carrier should receive rail service by at least one other rail carrier.

Paper Barriers

The Board should exercise its broad conditioning authority in merger, consolidation and control proceedings to maximize routing options and competitive opportunities for other rail carriers and their customers. Paper barriers can limit the ability of a carrier to interchange traffic with other rail carriers, either directly or indirectly, by imposition of substantial financial penalties or similar limitations, even where such routings and connections may be efficient. Such anti-competitive provisions do not serve the public interest.

Bottleneck Situations

The Board should reconsider its position with respect to bottleneck situations, as set forth in Docket Nos. 41242, et al., in light of existing carrier market power so that a shipper can pursue competitive service options.

Improved Service

Improved railroad service is essential for the health of the railroad industry itself and for the nation's economy. The Board, working with the rail industry, the shipping public, other governmental authorities, rail labor and other interested parties, should exercise its jurisdiction fully and take every opportunity available to it to require and

promote improved railroad service and competitive alternatives for shippers, including the numbers of AF&PA.

CONCLUSION

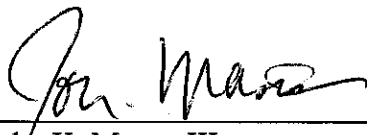
Now is the opportunity for laying the groundwork and foundation for a future rail system based solidly on the core principle of marketplace competition. AF&PA members are unified in a call to make changes in the rail industry to promote competition and provide service levels that are adequate to serve its customers.

We must ensure that our nation's rail system contributes to the vitality of all shippers in our economy so that our global competitiveness is maintained.

Respectfully submitted,

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