

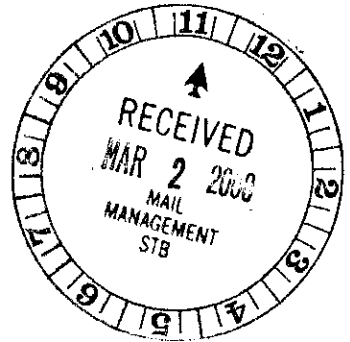
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**Pacer International, Inc.**

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OFFICE OF THE SECRETARY  
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February 24, 2000

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

Ladies and Gentlemen of the Surface Transportation Board:

Good morning, my name is Don Orris. I am Chairman and CEO of Pacer International, Inc. Pacer is a third party logistics company with revenues of \$1.2 billion annually. We provide rail services on wholesale basis to third party entities as well as retail rail intermodal services directly to beneficial cargo owners. Our services include trucking, warehousing and distribution, supply chain management and other related freight handling functions. Our total purchase of rail transportation will exceed \$700 million dollars in 2000. We have a combined rail transportation purchase and train operation contractual arrangement with a major shipping company. This combination will buy over \$1 billion dollars in rail transportation this year. We believe our combined purchase arrangement makes us the largest buyer of rail transportation in North America.

My personal experience includes some 21 years as a rail carrier executive including 6 years as an executive vice president for Southern Pacific between 1990 and 1996 prior to its merger with Union Pacific. In that role, I had direct accountability for all of the commercial functions and many of the operating functions of Southern Pacific.

My purpose here today is to express to you my most sincere concern over yet another round of rail mergers. While the details on the CN, BNSF, IC combination and their impact on lines such as KCS and others has yet to be filed, it is difficult for me to believe that this can be or will be an isolated transaction. The inherent commercial and economic reality of the rail industry today is that you cannot realistically have one rail system with a superior position over its competitor in terms of size and geographic scope. The advantaged carrier, will, over time, weaken the lessor carrier's service offering, gradually resulting in one dominant system. Railroad competition is not just two railroads serving a customer, it is the ability to invest in double and triple track, to continuously develop new computer systems, invest in intermodal terminals acquire new efficient power and expand all capabilities. If your competitor has sufficient economic advantages over your system, it will ultimately have the ability to offer superior products and denigrate your services in its favor. If this transaction goes forward, the other major carriers will logically respond to the commercial and economic disadvantages they are being placed in and request approval for countering consolidations. I believe the STB would approve these countering transactions in order to preserve competition and the result would be two rail systems in North America. I believe the events of the 1990's truly support this conclusion.

The first major consolidation of the Burlington Northern and Santa Fe forced the countering consolidation of the Union Pacific with the weaker Southern Pacific. The BNSF, having gone first with the stronger partnership, obtained significant competitive advantages over UP which continues even today. The timing of this current BNSF/CN proposal is such as to increase the BNSF advantage as the dominate player in the West while UP is still putting its system back together.

One could argue that the recent eastern rail consolidation was a logical result of the western moves. The Conrail carve up yielded two equally sized systems positioned to match up with the two in the West.

In addition to the strong potential for two systems, this proposed transaction raises complex questions regarding; the leverage such an entity would have on customers who ship in Canada and the U.S. through bundling and other commercial relationships; the influence on terminal railroads which are crucial to the smooth flow of traffic through such key points as Chicago and the increased control and influence the entity would have over TTX, which provides practically all of the intermodal rail car fleet in North America.

While I believe much of what I have said applies to the rail industry in total, our company is specifically focused on the intermodal carrying capability of this industry. The merged rail entities were supposed to provide economic and service improvements, especially service improvements due to changes in geographic scope and increased capacity.

I believe it would be very difficult for any carrier to point to any substantive service improvements. In the intermodal area these mergers have resulted in huge diversions from rail to highway. Our premium service offering does not exist at this time; the premium freight is on the highway. While BNSF, having had more time since its merger, may well claim to have service levels equivalent to those prior to merger, I believe it would, however, have to admit to serious capacity constraints, which are tantamount to "No Service".

If the rail industry goes through another round of mergers, we will see yet another round of serious service deterioration. No one at this point could seriously argue otherwise. Very talented executives with the aid of unending planning have not been able to overcome the issues of consolidating these entities. The regulatory process, physical capacity issues, labor contracts and safety issues make this a difficult, distracting, time consuming and costly process.

Another round of service deterioration will result in serious long-term harm to the intermodal product resulting in more freight on the highway. Increased highway movement means more costs for drivers and fuel, more congestion and air pollution and more highway construction over North America. It is unequivocally in the national interest to see intermodal capacity expand -- not deteriorate -- if this country is to have expanding future.

I urge you in our upcoming deliberation to consider "NO" or at the very least, "NO, UNTIL THIS INDUSTRY BEGINS TO DELIVER ON THE PROMISED IMPROVEMENTS." While prices and industry access can be regulated, service and operating discipline in the rail industry would be difficult if not impossible to regulate. If we open this door, we will not be able to close it again.

Thank you for affording me your time and listening.