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PUBLIC VERSION



**U.S. DEPARTMENT OF TRANSPORTATION
SURFACE TRANSPORTATION BOARD**

DHX, INC.,

Complainant,

v.

STB Docket No. WCC-105

MATSON NAVIGATION COMPANY
And SL SERVICE, INC.,
f/k/a SEA-LAND SERVICE, INC.,

Defendants.

COMPLAINANT'S OPENING STATEMENTS

VERIFIED STATEMENT OF PAUL B. CHUN

**ENTERED
Office of Proceedings**

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**Part of
Public Record**

Submitted By

RICK A. RUDE, Esq.
Suite 103
207 Park Avenue
Falls Church, VA 22046
(AC 703) 536-3063 Telephone
(AC 703) 536-4841 Fax

Counsel For Complainant
DHX, INC.

Dated 28 October 2003

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Defendants.

VERIFIED STATEMENT OF MR. PAUL B. CHUN

My name is Paul B. Chun and I am the Assistant Controller of DHX, Inc. with my offices located at 19201 S. Susana Road, Rancho Dominguez, California 90221. I have been employed by DHX, Inc. since December 1999 and my duties and responsibilities include the preparation of weekly revenue analysis, preparing monthly financial reports to include budget reports and cost schedules and to develop and maintain internal company financial controls to ensure proper and complete recording of all company financial information. I am a graduate of the California State University, Long Beach with a Bachelor of Science degree majoring in accounting.

I was requested to review the financial and operating records of DHX, Inc. in order to identify the Average Monthly Container Cost incurred by DHX, Inc. in the conduct of its business from the continental United States to Hawaii on a westbound basis. I was further requested to prepare a cost analysis for all westbound Hawaii containers from four ports

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to Hawaii. Lastly, I was requested to identify charges for wharfage that were assessed by ocean carriers on the identified westbound containers as well as conduct a cost comparison between the ocean transportation costs incurred by DHX with sample ocean rates provided to me by DHX pricing personnel. In furtherance of DHX's complaint before the Surface Transportation Board, I can state as follows-

1. Attached hereto and identified as Exhibit No. 1 is a summary of the monthly average cost per container incurred by DHX, Inc. between the period October 1997 through June 14, 2003.

2. Attached hereto and identified as Exhibit No. 2 is the Container Cost Schedules, and Claims Summary Schedule, from which the monthly average cost per container was derived.

3. Exhibit No. 1 is a series of multi-page reports which identify, by DHX Port Terminal, the average costs by period for each size shipping container tendered to the ocean carriers by DHX, Inc.

4. The DHX Port Terminals for which these reports and schedules have been prepared are (1) Los Angeles, (2) Oakland, (3) Portland, and (4) Seattle.

5. DHX, Inc. shipped the following size containers which are identified as twenty foot container ("20FT"), twenty-four foot ("24FT"), twenty-four foot high cube ("24HC"), forty foot ("40 FT"), forty foot high cube ("40HC"), and forty-five foot ("45FT").

6. I was provided rates from the published tariffs of Matson Navigation Company and Sea-Land Service, Inc. which

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was also known to me as CSX Lines, LLC and now doing business as Horizon Lines, LLC.

7. The rate item that was used in my analysis for the containers tendered by DHX, Inc. to Matson Navigation Company is identified in the lower left-hand corner of each report and is "Item 2200".

8. The rate item that was used in my analysis for the containers tendered to Sea-Land Service, Inc. and then CSX Lines, LLC is also identified in the lower left-hand corner of those reports and is "Item 0598-51-0000".

9. The last page of each terminal report for each carrier contains the results of the report and identified the total number of containers that were involved in the report and shipped from the identified terminal as well as the average cost of each container size over the 68 month period in the report.

10. A comparison of the average container cost for any given month can be made with carrier tariff rates which will reflect whether or not DHX, Inc. basic ocean transportation costs were higher or lower than tariff rates that were further identified in certain rate tariffs of Matson Navigation Company and Sea-Land Service, Inc.

11. It can be easily ascertained that both of these carriers offered and published rates that were significantly less than DHX's base ocean transportation costs.

12. The Monthly Average Cost Per Container is solely the sum that DHX, Inc. paid the ocean carriers and does not

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include in its calculation DHX overhead, administrative, labor, trucking or other associated costs.

13. The Matson Navigation Company Item 2200 is a rate that applies from Ontario, California to Hawaii.

14. The Sea-Land Service, Inc. Item 0598-51-0000 is also a rate that applies on a port to port basis.

15. The commodities that are handled and shipped by DHX, Inc. would be included in the generic descriptions in either of the sample tariff rate items.

16. Exhibit No. 2 contains a cover summary and includes in the exhibit a series of 16 Schedules.

17. Exhibit No. 2 contains the following Schedules -
- Schedule 1 - DHX Cost Comparisons for containers tendered to Matson Navigation from Los Angeles, CA.
 - Schedule 2 - DHX Cost Comparisons for containers tendered to Matson Navigation from Oakland, CA.
 - Schedule 3 - DHX Cost Comparisons for containers tendered to Matson Navigation from Portland, OR.
 - Schedule 4 - DHX Cost Comparisons for containers tendered to Matson Navigation from Seattle, WA.
 - Schedule 5 - DHX Cost Comparisons for containers tendered to Sea-Land Service/CSX Lines from Los Angeles, CA.
 - Schedule 6 - DHX Cost Comparisons for containers tendered to Sea-Land Service/CSX Lines from Oakland, CA.
 - Schedule 7 - DHX Cost Comparisons for containers tendered to Sea-Land Service/CSX Lines from Portland, OR.
 - Schedule 8 - DHX Cost Comparison for containers tendered to Sea-Land Service/CSX Lines from Seattle, WA.
 - Schedule 9 - DHX Wharfage Charges as imposed by Matson for containers tendered to Matson Navigation from Los Angeles, CA.
 - Schedule 10- DHX Wharfage Charges as imposed by Matson for containers tendered to Matson Navigation from Oakland, CA.

17. continued.

Schedule 11- DHX Wharfage Charges as imposed by Matson for containers tendered to Matson Navigation from Portland, OR.

Schedule 12- DHX Wharfage Charges as imposed by Matson for containers tendered to Matson Navigation from Seattle, WA.

Schedule 13- DHX Wharfage Charges as imposed by Sea-Land Service/CSX Lines for containers tendered to Sea-Land Service/CSX Lines from Los Angeles, CA.

Schedule 14- DHX Wharfage Charges as imposed by Sea-Land Service/CSX Lines for containers tendered to Sea-Land Service/CSX Lines from Oakland, CA.

Schedule 15- DHX Wharfage Charges as imposed by Sea-Land Service/CSX Lines for containers tendered to Sea-Land Service/CSX Lines from Portland, OR.

Schedule 16- DHX Wharfage Charges as imposed by Sea-Land Service/CSX Lines for containers tendered to Sea-Land Service/CSX Lines from Seattle, WA.

18. The Schedules contained in Exhibit No. 2 are similar as to format but are not identical in the information contained therein. Schedules 1 through 8 are specific cost comparisons of containers shipped by DHX wherein DHX incurred basic ocean shipping costs that were higher than the rate contained in the sample carrier tariff item. Schedules 9 through 16 contains a listing of all containers tendered by DHX and includes an entry for the wharfage charges imposed upon the DHX shipments and paid by DHX to either Matson Navigation Company or Sea-Land Service/CSX Lines.

19. DHX, Inc. maintains its financial records on 13 four week periods which are identified in the Schedules as "1" through "13" and further identified by each week of the period. As example, period "1-1" is the first week of the

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first period of the calendar year and week "13-4" would be the last week of the last period of the calendar year.

20. The Schedule Headings are as follows -

"Period"	- This is the DHX financial period
"Ship Date"	- Date the container was shipped
"Prefix"	- Container Identification Code
"Containers"	- Container Numerical Code for the Prefix
"Size"	- This is the size of the container shipped
"Cost"	- This is the ocean freight cost DHX paid
"Wharfage"	- This is the wharfage charges paid
"Cost-WFG"	- This is the DHX Cost less the wharfage
"Item 2200"	- This is the shipping cost under Item 2200
"Cost Item 2200"	- This is the difference in DHX cost and the cost pursuant to the sample rate item
"Vessel/Voyage"	- This is the vessel and voyage number for the shipment
"Subs&Types"	- This identifies shipments wherein the shipment involved the substitution of one size of equipment for another size of equipment

21. The Schedule Headings for the Sea-Land Service/CSX Lines containers are established in the same manner except that tariff Item 0598-51-0000 is employed rather than Matson Item 2200.

22. Schedules 9 through 16 reflect that DHX tendered a total of 37,549 shipments to Matson Navigation Company and Sea-Land Service/CSX Lines between October 1997 and June 14, 2003.

23. Schedules 1 through 8 reflect that 26,734 DHX shipments had base ocean freight costs that were higher than the compared rates.

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24. The Exhibit No. 2 Claim Summary restates, on a Schedule by Schedule basis, excess sums paid (Schedules 9 through 16, Wharfages) or excess costs incurred (Schedules 1 through 8) by reason of the rate structures established and maintained by Matson Navigation Company and Sea-Land Service/CSX Lines in the continental United States Hawaii trade.

25. DHX, from October 1, 1997 through June 14, 2003, did incur excess ocean freight costs on containers tendered to Matson Navigation Company in the amount of [REDACTED] representing an average excess cost sum of [REDACTED] for each container.

26. DHX, from October 1, 1997 through June 14, 2003, did incur excess ocean freight costs on containers tendered to Sea-Land Service/CSX Lines in the amount of [REDACTED] representing an average excess cost sum of [REDACTED] for each container.

27. Item 2200, which was used in the Matson Schedules, has an origin of Ontario, California and the rate item does include a pickup and delivery service.

28. The rates in Item 2200 were adjusted to remove the factor for trucking using the sum of [REDACTED] for such service.

29. Item 2200 cargo is not subject to a West Coast wharfage charge.

30. Schedules 9 through 16 as contained in Exhibit No. 2 sets forth the wharfages charges paid by DHX to Matson Navigation Company and Sea-Land Service/CSX Lines.

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31. A review of Schedules 9-12 reflects that DHX paid an average wharfage charge of [REDACTED] to Matson Navigation Company for the listed containers.

32. A review of Schedules 13-16 reflects that DHX paid an average wharfage charge of [REDACTED] to Sea-Land Service/CSX Lines for the listed containers tendered to that carrier.

33. The Cost Analysis therefore establishes that DHX has an average cost disadvantage per container with Matson Navigation that can total [REDACTED] in comparison to the rates that Matson offers and provides to non-forwarder shippers in the United States Hawaii trade.

34. The Cost Analysis therefore establishes that DHX has an average cost disadvantage per container with Sea-Land Service/CSX Lines that can total [REDACTED] in comparison to the rates that Sea-Land Service/CSX Lines offers and provides to non-forwarder shippers in the United States Hawaii trade.

35. The cost disadvantages set forth in paragraphs 33 and 34 do not include any factors or sums associated with DHX's own operations, labor, overhead or administrative expenses.

36. The differences in the ocean transportation costs incurred by DHX and the rates or costs that each of these carriers affords to non-forwarder shippers demonstrates that forwarders such as DHX would be required to quote and ship full load containers at price levels substantially below DHX base ocean freight costs in order to participate in the full container load segment of the continental

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United States Hawaii transportation trade.

37. The operations of DHX, like many other forwarders, are such that revenue to expense margins in the less than container load business are very small and such margins do not permit forwarders to provide services in other lines of business at less than cost on any routine basis.

38. If DHX were to attempt to conduct business at the revenue levels contained in Items 2200 or Item 0598-51-0000, at the average cost per container being assessed to DHX by either carrier, the result would be DHX ceasing operations.

VERIFICATION

State of California
County of Los Angeles

SS

Paul B. Chun being duly sworn, deposes
and says that he has read the foregoing statement, knows
the facts asserted there are true and that the same are
true as stated.

Signed

Paul B. Chun

Subscribed and sworn to before me this 22nd day of
October 2003.

Cammie Rene Laster

Notary Public

My Commission expires

10-15-05

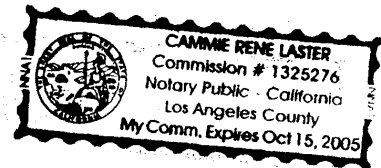


EXHIBIT NO. 1

DHX MONTHLY AVERAGE COST PER CONTAINER

REDACTED

EXHIBIT NO. 2

DHX CLAIMS SCHEDULES

REDACTED