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PUBLIC

U.S. DEPARTMENT OF TRANSPORTATION
SURFACE TRANSPORTATION BOARD

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OCT 30 2003

Part of
Public Record

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

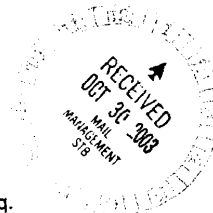
TESTIMONY AND EXHIBITS OF PAUL EDWARD STEVENS

Submitted By

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Dated 28 October 2003



ORIGINAL

No. 1005100

Kusar

BEFORE THE
SURFACE TRANSPORTATION BOARD



DHX, Inc.,

Plaintiff,

vs.

MATSON NAVIGATION COMPANY and
SEA-LAND SERVICE, INC.,

Respondents.

No. WCC-105

HIGHLY CONFIDENTIAL

DEPOSITION OF PAUL EDWARD STEVENS

Monday, July 28, 2003

Long Beach, California

REPORTED BY: Rhonda Norberg, CSR No. 9265

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BEFORE THE
SURFACE TRANSPORTATION BOARD

DHX, Inc.,	)	
	)	
Plaintiff,	)	
	)	
vs.	)	No. WCC-105
	)	
MATSON NAVIGATION COMPANY and	)	
Sea-Land SERVICE, INC.,	)	
	)	
Respondents.	)	

Deposition of PAUL EDWARD STEVENS, a
Witness, taken on behalf of the
Plaintiff, at One World Trade Center,
Suite 1800, Long Beach, California
90831, commencing at 1:15 p.m.,
Monday, July 28, 2003, before Rhonda
Norberg, CSR No. 9265, pursuant to
Notice of Taking Deposition.

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I N D E X

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	By Mr. Fleisig	135
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EXHIBITS FOR IDENTIFICATION

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MNC 22	Letter to Marvin R. Buchanan from Peter P. Wilson dated December 19, 1997; 8 pages	6
MNC 23	Confidential Transportation Agreement - Westbound; 27 pages	6
MNC 24	Confidential Transportation Agreement - Eastbound; 25 pages	6
MNC 25	Business Card	7
MNC 26	Letter to Marvin R. Buchanan from Peter P. Wilson dated November 9, 1999	99
MNC 27	Letter to Peter P. Wilson from Marvin R. Buchanan dated March 7, 2000	99
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I N D E X

EXHIBITS FOR IDENTIFICATION

MNC 31	Letter to Peter P. Wilson from Marvin R. Buchanan dated July 2, 2001	99
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1 MONDAY, JUNE, 28, 2003, LONG BEACH, CALIFORNIA

2 1:15 P.M.

3 * * *

4
5 + (MNC Exhibits 21 through 24 were marked;
6 attached hereto.)

7 MR. RUDE: Let's go on the record and identify
8 ourselves.

9 THE REPORTER: Rhonda Norberg, court reporter.

10 MR. ALLEN: Richard Allen, representing the
11 witness, Mr. Paul Stevens.

12 MR. O'ROURKE: Kevin O'Rourke, general counsel
13 at Matson.

14 MR. FLEISIG: Leonard Fleisig, on behalf of
15 Defendant CSX Lines.

16 MR. RUDE: Rick A. Rude, on behalf of claimant
17 DHX, Inc.

18 This is the deposition of Mr. Paul Stevens.
19 It's 1:15 on Monday, July 28, 2003.

20 Mr. Stevens, I'm going to ask the court
21 reporter to swear you in.

22
23 PAUL EDWARD STEVENS,
24 the witness herein, having been first duly sworn,
25 was examined and testified as follows:

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1 understand the question unless you indicate to me
2 otherwise. If it's a question that you don't
3 understand, simply tell me, and I will rephrase it or
4 attempt to clarify it for you.

5 If at any time you need to take a break, simply
6 tell us, and we'll go off the record. We are here to
7 develop a record in relation to an administrative
8 proceeding.

9 Are you ready, sir?

10 A. Yes.

11 Q. Thank you.

12 Mr. Stevens, can you state your full name and
13 home address for the record, please.

14 A. Paul Edward Stevens, 136 Tracy Lane, Alamo,
15 California.

16 Q. And who are you employed by, sir?

17 A. Matson Navigation Company.

18 Q. And what is Matson Navigation Company?

19 A. Matson Navigation Company is an ocean
20 transportation company, primarily involved in the trade
21 between the west coast of the United States and Hawaii.

22 Q. Is that a -- are they commonly known as a
23 vessel operating common carrier?

24 A. Yes, they are a vessel operating common
25 carrier.

9
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1 Q. And where are your offices located, sir?

2 A. 333 Market Street, San Francisco.

3 Q. Let me ask you this. I have your business

4 card, which I've identified as Exhibit No. 5, and I --

5 MR. ALLEN: 25.

6 MR. RUDE: Yes. I'm sorry.

7 Q. As executive vice president, can you state for

8 the record what your duties and responsibilities are?

9 A. As executive vice president, I have

10 responsibility for the ocean services division, the

11 Matson intermodal division -- subsidiary, actually. And

12 ocean services entails sales, pricing, marketing, public

13 relations, container operations, fleet scheduling.

14 Q. All right. Thank you, sir.

15 How long have you been in that position?

16 A. As executive vice president, one year.

17 Q. What was your position prior to that?

18 A. Senior vice president of ocean services.

19 Q. And how long were you in that position, sir?

20 A. Approximately five years.

21 Q. And that would have been 1997?

22 A. '6, or so; '96.

23 Q. As senior vice president of ocean services,

24 what were your duties and responsibilities at that

25 point?

10
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1 A. I had all of those duties as previously stated;
2 sales, public relations, pricing, marketing, customer
3 service.

4 Q. Mr. Stevens, how long have you been employed by
5 Matson Navigation Company?

6 A. 27 years.

7 Q. So that means you first came to work for them
8 in approximately 1975?

9 A. Yes, 1975, 1976, I guess.

10 Q. Was that right out of college, sir?

11 A. Right out of graduate school, yes.

12 Q. What graduate school was that?

13 A. The American Graduate School of International
14 Management in Arizona.

15 Q. I see.

16 What was your undergraduate degree in, sir?

17 A. Business administration.

18 Q. And where was that from, sir?

19 A. University of San Diego.

20 Q. And when did you graduate, sir?

21 A. 1975.

22 Q. And what was your first job after you were
23 employed by Matson, if you can recall?

24 A. Sales representative.

25 Q. And as a sales representative, where were you

1 A. Approximately up to 1990.

2 Q. And in approximately 1990, if you recall, what
3 position did you then assume?

4 A. Then I took over as vice president of
5 marketing.

6 Q. Until approximately 1995?

7 A. Yes.

8 Q. All right. And as vice president of marketing,
9 did your duties and responsibilities involve an analysis
10 of Matson's pricing structures in the Hawaii trade?

11 A. I had overall responsibility for pricing.

12 Q. Now, I know we've used the term "pricing" in a
13 somewhat general manner here.

14 Can you explain for us, on the record, exactly
15 what that function entailed?

16 A. Well, pricing basically prices our service; so
17 that's what it does. It looks at the customer, looks at
18 the commodity, looks at the service requirements, and
19 then prices the -- prices the business.

20 Q. And in the function of pricing, in your
21 opinion, what would be the dominant element that you
22 would use in the establishment of a transportation price
23 for a particular service provided by Matson?

24 A. I don't think there is one dominant element. I
25 think there are many elements, and they involve the --

1 what is the commodity, what is the frequency of the
2 shipment, what is the volume, where is it coming from,
3 where is it going to, what container size they want to
4 have.

5 So all those things can be rated one way or the
6 other, depending on the commodity and the timing.

7 Q. Once you've reached a particular price, is a
8 subsequent factor the analysis of any vessel -- a
9 competitor of Matson's price?

10 A. I don't understand the question.

11 Q. In 1990, who was Matson's predominant
12 competitor in the U.S.-Hawaii trade?

13 A. Sea-Land.

14 Q. And in your function of pricing, would you take
15 into consideration what Sea-Land's prices were?

16 A. Yes.

17 Q. How dominant a factor would Sea-Land prices
18 have been in your consideration of establishment of a
19 price?

20 A. Fairly dominant.

21 Q. I've noticed, through the literature, that
22 Matson speaks up -- of having a superior service.

23 Are you familiar with that reference?

24 A. No.

25 Q. Okay. I'm going to place in front of you three

1 documents. And they're previously identified as -- as
2 Exhibits MNC No. 2, MNC No. 3, and MNC No. 4.

3 No. 4 is an interoffice memo to you from
4 Peter Wilson and Ron Barrett from June 16, '98. No. 3
5 is a document which is entitled "Revenue Enhancement,
6 P.E. Stevens." And No. 2 is a 1997 freight forward
7 study.

8 Do you see those, sir?

9 A. Uh-huh.

10 Q. Are you familiar with those documents?

11 A. Yes.

12 Q. I'm going to ask you specifically to look at
13 No. 3. And preliminarily -- can you identify what this
14 is, sir?

15 A. It looks like a presentation that was given to
16 somebody -- I don't recall who -- about some revenue
17 enhancement initiatives that Matson was considering.

18 Q. Do you recall when that was done?

19 A. You know, no, I don't. I don't.

20 Q. Okay. Let's go to this 1997 study first.

21 When was the first time that you recall seeing
22 that?

23 A. It was sometime in 1997 when they finished it.

24 Q. Okay. Do you know why that study was
25 conducted?

1 Take a look at your Page 452, if you would.

2 MR. ALLEN: 452?

3 MR. RUDE: Yes.

4 MR. ALLEN: That was the one we were looking

5 at.

6 MR. RUDE: There's a -- there's a handwritten

7 note of mine on there, which means that came from a

8 working file.

9 MR. ALLEN: One of your working files?

10 MR. RUDE: Yes. Now, is that on that one, too?

11 MR. FLEISIG: Yes. The missing line comment.

12 MR. RUDE: Yes. Now, what I will do is --

13 MR. ALLEN: Do you have a question?

14 MR. RUDE: I'm going to pull that off the --

15 the exhibit copy, because there's an original somewhere

16 that doesn't have that note on it.

17 MR. ALLEN: Did you want to ask a question with

18 that?

19 MR. RUDE: Not now, but I just wanted to note

20 that for the record.

21 MR. ALLEN: Okay.

22 MR. RUDE: All right. Let's take you back. I

23 saw that on -- on yours. And it is, in fact, not on

24 mine; so we'll deal with that later.

25 Q. Page 5, do you see the last -- last sentence,

1 of operation?

2 A. Yes. For the purposes of this, yes.

3 Q. Yeah.

4 How about from your own perspective?

5 A. Depends what time. Depends what your time
6 frame is.

7 Q. Let's say 1998.

8 MR. ALLEN: I mean, his own perspective as
9 opposed to Matson's perspective?

10 MR. RUDE: He's indicated that for purposes of
11 this, he considered them the same, which leads me to
12 believe that perhaps he does not. So I'm asking him --

13 Q. In 1998, did you consider the business
14 operations of the general commodity freight carriers and
15 those of the freight forwarders to be the same?

16 A. As it relates to this fleet schedule decision,
17 the answer to that question is yes.

18 Q. Right.

19 But what about otherwise?

20 A. Well, then it depends what you're talking
21 about.

22 Q. What about in the method of operation?

23 A. I don't quite understand that question.

24 Q. Didn't the --

25 A. They all consolidated, they all move freight.

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1 be used for what they were intended to be -- for the
2 customer they were intended to be set up for.

3 Q. And those customers didn't include freight
4 forwarders?

5 A. They were not set up for freight forwarders,
6 no.

7 Q. So when you speak to issues of -- of forwarder
8 abuse of tariff rules, what exactly did you --

9 MR. ALLEN: Who speaks of such issues?

10 MR. RUDE: -- refer to?

11 We'll go to his verified statement eventually.

12 Q. But in your verified statement, you indicated
13 that forwarders were misusing Matson tariff rules.

14 Do you recall that?

15 A. You know, the forwarders used the rules. They
16 followed the rules.

17 Q. Right.

18 A. But those were not the intended consequences of
19 those rules. So to the extent that they manipulated
20 those rules to their advantage, that's right. But there
21 was no -- I mean, from my perspective they were legal to
22 do that. The rules were there, just misplaced.

23 Q. Who was it in Matson that decided what those
24 rules were intended to apply to?

25 A. This goes back to 1958 when we published our

1 first tariff, so probably an assortment of people that
2 wrote those rules and developed those -- those -- the
3 specific commodity rates over the course of time.

4 Q. So -- but, really, we're talking 40 years
5 later.

6 A. Yeah, that's --

7 Q. Isn't a matter of -- of what the Matson
8 management, in 1998, came to believe the rules that
9 we're speaking of, the overflow rule, and the note kits,
10 were intended to be used for?

11 A. I don't understand that question.

12 Q. Let's strike that question.

13 In 1998, was it your responsibility to
14 interpret how Matson's pricing was to be applied through
15 its tariffs?

16 A. No.

17 Q. Whose responsibility was that?

18 A. Pete Wilson's.

19 Q. Did Mr. Hoppes have any input?

20 A. No. That's pricing's job, to interpret that.

21 Q. I'm going to find another exhibit here for you,
22 sir. We'll put this away for the time being.

23 A. Sure.

24 Q. This is -- this was previously marked as
25 Exhibit No. 7, and I'm going to ask you to take a look

1 Do you see that, sir?
2 MR. ALLEN: The e-mail or the fax?
3 MR. RUDE: I'm sorry. The fax, the fax line.
4 THE WITNESS: Okay.
5 BY MR. RUDE:
6 Q. Do you recognize the -- the references there?
7 A. No.
8 What are we looking at here?
9 Q. It says Telephone (415) 243-7147.
10 A. Yes.
11 MR. ALLEN: 01 -- I don't see that.
12 THE WITNESS: (415) 243-7147.
13 MR. ALLEN: I don't have that on mine.
14 MR. RUDE: The last page.
15 MR. ALLEN: Okay.
16 BY MR. RUDE:
17 Q. It says M-K-T-G, slash, "Sales," slash,
18 "Pricing"?
19 A. Uh-huh.
20 Q. It looks to be September 23, 1993 or 1995?
21 A. Uh-huh.
22 Q. Would that have come out of Matson Navigation
23 corporate offices in San Francisco?
24 MR. ALLEN: Well, I mean, you're asking him to
25 speculate about a document that he said he has only the

1 they don't.

2 MR. ALLEN: And sometimes they lead?

3 THE WITNESS: And sometimes they lead.

4 BY MR. RUDE:

5 Q. And sometimes you follow?

6 A. And sometimes I follow. Sometimes I don't.

7 Q. Have you ever heard of the echo strategy?

8 A. No.

9 Q. Have you ever heard of a practice where
10 carriers will, as a matter of course, monitor their
11 competitors' tariffs and publish rates in their own
12 tariffs that match their competitors?

13 A. Do competitors follow their competitors? I
14 think that's probably accurate. That's why they call it
15 competition.

16 Q. Let me ask you this: Was it the corporate
17 policy of Matson to match Sea-Land or CSX's rates in the
18 Hawaii trade?

19 A. Not always, no.

20 Q. What were the exceptions?

21 A. I don't recall. But we'd have to evaluate the
22 impact on our own business. We're very different
23 competitors, so we'd have to evaluate whether we wanted
24 to follow, how it impacted our customers, and we'd have
25 to stay competitive.

1 And if it was an action that made us
2 non-competitive, we'd have to follow; and if it was an
3 action that didn't make us non-competitive, we didn't
4 care about, then we didn't follow.

5 Q. How do you mean non-competitive?

6 A. Well, we're going to lose the business because
7 they filed a rate or did an action or added a service,
8 we have to determine whether we have to match it or not,
9 or be more aggressive than that.

10 Q. You've just indicated that you felt that Matson
11 was different from CSX.

12 Do you recall that?

13 A. Yes.

14 Q. How -- how do you mean?

15 A. We had more frequency than they do, different
16 size containers than they do. We run our own barge
17 service. We're different carriers.

18 Q. Let me ask you this. In the provision of
19 service to freight forwarders, hasn't it always been a
20 selling point of Matson that they offer a more timely
21 service?

22 A. More frequency.

23 Q. Does it have --

24 MR. ALLEN: Than freight forwarders? I'm
25 sorry.

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1 A. They can make cargo available Monday morning,
2 and we can make cargo available Monday morning.

3 Q. Yeah.

4 In that regard, has it been the practice of
5 Matson to provide hot hatch service to forwarders?

6 A. We provide hot hatch services to lots of
7 customers. Not all forwarders, and, you know --

8 Q. Not just forwarders?

9 A. No.

10 Some customers call us up and have an issue,
11 we'll make it a hot hatch availability, so --

12 Q. What is your understanding on how CSX or
13 Sea-Land becomes aware of your rates?

14 A. Through our tariff filings.

15 Q. Through your tariff filings?

16 Does Matson watch CSX or Sea-Land's tariff
17 filings?

18 A. I hope so.

19 Q. All right. Do you have any recollection of
20 what the response was to the rate actions that Matson
21 took in the summer of 1998, which was specifically the
22 increasing of the per-hundred weights, the increasing of
23 the minimum charges, and the overflow rule, and the
24 modification of the note kits?

25 A. You know, you have to remember at the time,

1 Q. Is there any corporate philosophy within Matson
2 regarding how large any particular freight forwarders --
3 any particular freight forwarder ought to become?

4 A. No.

5 Q. Does Matson consider itself as having a good
6 relationship with freight forwarders?

7 A. Yes.

8 Q. What do you consider the freight forwarders'
9 function, if you will? And I'm limiting this to the
10 Hawaii trade, for purposes of simplicity.

11 What do you consider their functions to be?

12 A. They provide transportation services to
13 shippers, LTL and full-container-load, receipt delivery,
14 pickup, storage.

15 Q. They're not limited to LCL business, are they?

16 A. No, they're not.

17 Q. Was the senior management -- individuals at
18 your level and higher -- aware that these changes were
19 going to impact the forwarders' ability to handle
20 full-container-load business?

21 A. You know, not fully. Like I said earlier, I
22 think what we were trying to do is improve the overall
23 contribution from the forwarders, and -- and straighten
24 out a lot of inequities that existed with all these
25 various rules that were in our tariff for years and

1 years for different purposes.

2 So, you know, the exact outcome, you know, we
3 weren't really quite sure. So --

4 Q. Did you have any expectations of what the
5 outcome might be?

6 A. My only expectation, other than, you know,
7 that -- that the average unit price from the forwarders
8 would increase, was that the Matson Navigation Company
9 sales reps would be in a better position to compete when
10 customers gave up their freight for transportation. So
11 that was one expectation of mine.

12 Q. Wouldn't that also, then, have the corollary
13 that the ability of the forwarders to go after this
14 full-container-load business would be decreased?

15 A. It would be more competitive.

16 Q. One of the things that -- that I find here --
17 we use -- we use the word "competitive" frequently.
18 What do you mean by "competitive"?

19 A. Ability to compete.

20 Q. When you say that -- that Matson would be more
21 competitive with the forwarders for --

22 A. The ability to capture cargo. How's that?
23 Ability to capture and move cargo, satisfy customer
24 needs.

25 Q. So Matson's ability to capture cargo would be

1 enhanced?
2 A. Yes.
3 Q. Okay. Do you recall the Matson 2034 tariff?
4 A. Yes.
5 Q. Do you know what that tariff is -- what type of
6 service that tariff is supposed to represent?
7 A. Yes.
8 Q. What service is that, sir?
9 A. Usually a point -- point-to-point tariff.
10 Q. Do we have another term, such as an intermodal
11 service tariff?
12 A. We have intermodal tariff, as well. 7700, 7200
13 are intermodal tariffs. 2016 is --
14 Q. Is the 2034 tariff the intermodal tariff to
15 Hawaii?
16 A. All those tariffs I just mentioned are
17 intermodal tariffs to Hawaii.
18 Q. What about from the West Coast, west to Hawaii?
19 A. 2016, 2034 are intermodal tariffs.
20 Q. Does 2034 contain joint rates?
21 A. Yes.
22 Q. Does 2034 contain proportional rates?
23 A. Yes.
24 Q. Let me ask you this. Does -- if you recall,
25 when is the last time you took a look at Tariff 2034?

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1 A. I don't think I ever took a look at
2 Tariff 2034.

3 Q. Have you ever seen any tariff items out of
4 2034?

5 A. Yes.

6 Q. Can you explain for the record why Matson
7 publishes rate items in that tariff that are -- that
8 have commodity descriptions, such as a manufacturers'
9 names, such as Campbell's foodstuffs?

10 A. To be competitive, capture the business.

11 Q. Competitive with whom?

12 A. With anybody who wants to go get that freight.
13 With Horizon, or CSX Lines, or forwarders, or anybody.

14 Q. So -- just so I understand your comment
15 correctly here, you publish a commodity item that says
16 Campbell's foodstuffs to be competitive?

17 A. Yes.

18 Q. To attract that traffic?

19 A. Yes.

20 Q. Are there any other reasons, that you're aware
21 of, why that commodity description would be used?

22 A. To meet the customer requirements. The
23 customer calls us up and says, "Listen. I have a
24 facility over here, and I want to move my goods from my
25 facility through to Honolulu. I don't want to have to

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1 deal with trucking companies, I don't want to deal with
2 that. I would like a through rate so I get one bill
3 from my place of business to Honolulu, and I want to get
4 one bill."

5 So to meet their customers requirements, they
6 say, "Here's the competitive rate that exists today."
7 We look at that by looking at the environment, and what
8 they pay, and what the commodity is, and everything
9 else; and we file a through rate. So it's both to be
10 competitive and to satisfy the customer requirements.

11 Q. So -- and the customer would be Campbell's?

12 A. Could be anybody.

13 Q. So could anybody, provided they were shipping
14 the commodity that could be construed as Campbell's
15 foodstuffs, use that rate item?

16 A. No.

17 Q. Why not?

18 Well, because it's for Campbell's at that
19 facility. I mean, we move Campbell's soup through the
20 Safeway facility, and they have a Safeway rate, because
21 that satisfies that particular customer.

22 Q. So when you add a -- when you publish such an
23 item, it's for a specific customer?

24 A. Uh-huh.

25 Q. Isn't it also, then, the practice of Matson to

1 Do you see that?

2 A. Yes.

3 Q. I think what I'm asking you -- and I realize I
4 should clarify this for you -- is if the product you're
5 selling is space --

6 A. Uh-huh.

7 Q. -- why does Matson employ the number of other
8 factors and criterias that they use for pricing?

9 A. Well, every space has a different value, so
10 some space, you know, we want higher prices than
11 other -- it's like a hotel, you know. The rooms on the
12 first floor are not as -- as expensive as the rooms on
13 the 30th floor, so --

14 Q. So some space is more valuable than other
15 space?

16 A. Yeah.

17 It's a commodity-based situation, as well, and
18 the nature of the customer.

19 Q. Doesn't Matson employ the Carriage of Goods by
20 Sea Act for cargo liability?

21 A. Yes.

22 Q. So doesn't that actually limit your liability
23 to \$500 per package?

24 A. No.

25 Q. It doesn't?

1 Why not.

2 A. No.

3 Because we're \$1,000 per package.

4 Q. \$1,000 per package, sir?

5 A. Yes.

6 Q. Irrespective of what's in the package?

7 A. Yes.

8 Q. I'd like to draw your attention to Page 5, if

9 you will.

10 A. Uh-huh.

11 Q. It says "The role of freight forwarders."

12 Do you see that?

13 A. Uh-huh.

14 Q. I'd like to have you take a look at that. This

15 runs from Page 5 into Page 8. I'd like to ask you to

16 take a quick review of that. Just let me know when

17 you're ready.

18 A. Okay.

19 Q. All right. I'm looking at Page 6, sir, where

20 you're talking about the essential function of freight

21 forwarders. And I'd like to draw your attention down to

22 the bottom, with the paragraph that starts "Over the

23 years, however."

24 A. Uh-huh.

25 Q. Do you see that?

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1 A. Uh-huh.

2 Q. Who has been manipulating Matson's tariff to

3 employ those rules in a way they were not originally

4 intended?

5 A. Most of the forwarders.

6 Q. Is that -- does that include DHX, in your

7 opinion?

8 A. Yes, it does.

9 Q. And how were they doing that?

10 A. If you go back in terms of time, overflow rules

11 were not set up for forwarders, they were set up for

12 single commodity shippers who want to make a movement of

13 cargo, and one box wouldn't accommodate them. Actually,

14 if you go back in time where we had a carrier loading

15 count, we would send out a trucking company to load it.

16 We didn't want to penalize the customer for not

17 being able to put it all in one container, so we

18 provided overflow boxes to that particular shipper.

19 That was not intended for LTL cargo, it was intended for

20 customers with single commodities, so -- that's just one

21 example.

22 Note kits, conversely, were set up for

23 customers whose business had changed over time, where

24 they started out -- whether you take Procter & Gamble,

25 who was in soap, and they moved to food products, and

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1 those items were added so that customer could do
2 business out of that warehouse -- they were not intended
3 for the general freight forwarder community.

4 But since they were not restricted at that time
5 to those particular customers, the forwarders began to
6 utilize those items.

7 Q. So let me ask you this. If we read your
8 comments in this verified statement, Page 6 and 7, I
9 read this as you're stating that the forwarders are
10 breaking up straight loads to -- to ship them as
11 overflow containers.

12 A. Either that or they're doing it with paperwork
13 by combining a shipment. So they sometimes don't break
14 it up. They have a couple of loads of this and a couple
15 of loads of this, and they combine it and get the
16 overload and provide the discount.

17 All the specific details, I'm not totally up to
18 snuff on these days; but that's how they did that, yes.

19 Q. And that was -- had to do with the definition
20 of shipments that Matson used?

21 A. And, therefore, the use of overflow. Because
22 overflow is attached to a shipment, so you have to have
23 those two together to get the advantage of the overflow.

24 Q. So if we were to take a look at the -- a
25 comparison of forwarders' straight loads with overflow

1 Q. Okay. Let's go back to your statement here.

2 A. Okay.

3 Q. According to your study, the forwarders had
4 straight load business, didn't they?

5 A. Yes.

6 Q. And what is a straight load, if you can tell
7 us?

8 A. I think it's -- it would be one -- one
9 shipper's cargo, so not necessarily one commodity, but
10 predominantly probably one commodity of
11 full-container-loads.

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]

1 of Long Beach early Wednesday mornings?

2 A. No.

3 I mean, I recall this announcement which
4 indicated they were going to have a Wednesday sailing.
5 I don't recall that they called it their "mid-week
6 express."

7 Q. Going back to 34, go down to the third
8 paragraph and take a look at that, if you will.

9 A. Yes.

10 Q. And can you tell us what they describe the
11 mid-week express as?

12 MR. ALLEN: It speaks for itself. I don't know
13 why you need to have Mr. Stevens --

14 MR. RUDE: I want to ask him just one more
15 question about this.

16 THE WITNESS: The third paragraph says,
17 basically, that their departure out of Oakland on
18 Wednesday was their mid-week express.

19 MR. ALLEN: From Long Beach?

20 MR. RUDE: From Long Beach. I'm sorry.

21 THE WITNESS: The third paragraph says -- I'm
22 on the wrong one.

23 MR. RUDE: No. 34.

24 THE WITNESS: Every Wednesday morning. Right.
25

1 BY MR. RUDE:
2 Q. So that was the mid-week express?
3 A. Okay.
4 Q. And do you know whether or not -- after
5 October 1st of 200- -- I'm sorry -- August 1st of 2001,
6 CSX pulled out that mid-week express sailing?
7 A. Well, they never had a -- a weekly Wednesday
8 sailing.
9 Q. It was every other week, wasn't it?
10 A. Yes.
11 So I don't know what they pulled out. I
12 mean -- or when they pulled it out; but, clearly, by us
13 providing capacity, they could provide service every
14 week.
15 Q. Let me ask you this. Did -- wasn't it also a
16 situation where Matson -- by agreeing to handle the CSX
17 business, Matson then had the only Wednesday vessel out
18 of Long Beach?
19 A. I don't remember when they pulled their sailing
20 out, so I don't recall whether it was before or after or
21 during. So if you ask me where we are today, we provide
22 the only Wednesday sailing out of Los Angeles.
23 MR. RUDE: Okay. Why don't we take a break.
24 MR. ALLEN: Before we do that, I have to
25 reiterate an objection to this whole last line of

1 for Matson. So I had to look at the elements of our
2 service, the elements of our revenue, and provide the
3 organization some guidance and direction.

4 They would provide specific recommendations;
5 and I would say, you know -- find out whether or not,
6 you know, is that going to keep us competitive, or are
7 we going to improve our revenue position, is it going to
8 allow Matson to grow.

9 And if those recommendations were consistent
10 with that, I instructed my staff to do their staff work,
11 and I would tell them to proceed. If there were problem
12 areas, I'd say, "You should go take a look at that, come
13 back to me with your recommendations."

14 Q. When you saw the memo which we've long since
15 identified as Exhibit No. 4 -- just so I'm clear on your
16 testimony, do you have any specific recollections
17 regarding this memo?

18 A. I do not.

19 Q. Do you recall whether or not, during this
20 period of time, Matson decided on a -- on a policy to
21 limit freight forward competition?

22 A. No, I didn't have a policy to do that.

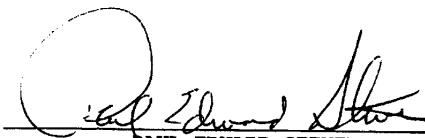
23 Q. Was -- was there any feeling within Matson that
24 if steps were not taken to revise the tariff rules
25 involving note kits, overflows, definition of shippers,

DECLARATION

I hereby declare I am the deponent in the within matter; that I have read the foregoing deposition and know the contents thereof, and I declare that the same is true of my knowledge except as to the matters which are therein stated upon my information and belief, and as to those matters, I believe them to be true.

I declare under the penalties of perjury of the State of California that the foregoing is true and correct.

Executed this 27 day of 2003 August,
2003, at _____, California.


 PAUL EDWARD STEVENS
 Seattle, WA.

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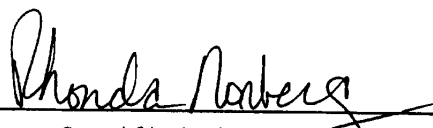
REPORTER'S CERTIFICATE

I, Rhonda Norberg, a Certified Shorthand Reporter, holding a valid and current license issued by the State of California, CSR No. 9265, do hereby certify:

That said proceedings were taken down by me in shorthand at the time and place therein set forth and thereafter transcribed into typewriting under my direction and supervision.

I further certify that I am neither counsel for nor related to any party to said action nor in anywise interested in the outcome thereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name on this 13th day of August, 200³.



Certified Shorthand Reporter



ERRATA SHEET

CASE NAME: DHX v. Matson Navigation Co. et al., STB Docket No. WCC-105

DATE OF DEPOSITION: July 28, 2003

DEPONENT NAME: Paul E. Stevens

[illegible]

I DECLARE UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE STATE OF CALIFORNIA THAT THE FOREGOING IS TRUE AND CORRECT.

NAME Alister

8/26/03
DATE

BEFORE THE
SURFACE TRANSPORTATION BOARD

DHX, Inc.,

Plaintiff,

v.

MATSON NAVIGATION COMPANY and
SEA-LAND SERVICE, INC.,

Respondents.

Docket No. WCC-105

VERIFIED STATEMENT OF PAUL E. STEVENS

My name is Paul E. Stevens. I am Senior Vice President for Matson Navigation Company, Inc. ("Matson") and have served in that position since April 27, 1995. My business address is 333 Market Street, San Francisco, California 94105. As Senior Vice President, I am in charge of Matson's sales, marketing, pricing, customer service, and public relations departments. As a result, I am familiar with the development of Matson's pricing structure in general, and in particular the development of Matson's pricing policies with respect to the noncontiguous domestic trade between the continental United States and Hawaii.

I am submitting this verified statement in support of Matson Navigation's Motion to Dismiss Complaint Or, In the Alternative, For Summary Judgment. (Previously in this proceeding I submitted an affidavit in support of Matson's Preliminary Response to DHX's Request to Suspend Rates.) I am personally familiar with the facts stated in this statement and am competent to testify about them.



The purpose of this verified statement is to describe generally the operation of Matson's tariff with respect to weight-rated commodities in the port-to-port U.S./Hawaii trade, the operation of the "overflow rule" in that tariff, which DHX challenges in this case, Matson's rate actions in the U.S./Hawaii trade and how the role of freight forwarders in that trade has evolved from the economically efficient role primarily of consolidating less-than-containerload shipments to one of competing with Matson for full containerload traffic.

Matson is a U.S. flag water carrier which for many years has provided ocean transportation in the so-called "noncontiguous domestic trades," including the trade between ports in the continental United States and ports in Hawaii. Matson provides scheduled service between the mainland United States and Hawaii in container ships. Matson is required to file, and does file, tariffs pertaining to both port-to-port transportation in the U.S./Hawaii trade and intermodal transportation in that trade. The increases in Matson's overflow container minimum charges challenged by DHX are part of Matson's port-to-port tariff. (This statement only discusses Matson's port-to-port tariff because that is the only Matson tariff referenced in DHX's complaint.)

Matson's Tariff

Matson's tariff for port-to-port transportation in the Hawaii trade, known as Tariff 14, establishes hundreds of different rates for different commodities and commodity mixes. Goods carried by Matson are assigned a rate generally in one of two ways: certain commodities are assigned a flat, per-container rate based on the nature of the commodity being shipped (these goods are "commodity-rated" goods and are listed in section 3 of Tariff 14). Others are carried based on the weight of the shipment (typically, a rate is set per 100 pounds of the commodity);

these are known as "weight-rated" goods and are listed in section 2 of Tariff 14. The "overflow rule" at issue here applies only to weight-rated dry cargo shipments.

A typical tariff provision for a weight-rated good identifies the commodity, lists the rate for the commodity (generally in cents per 100 pounds) and lists a minimum weight requirement for a single container of the commodity. Without reference to the so-called "overflow" provision, which I will discuss further below, the minimum container weight listed for the commodity, multiplied by the applicable rate, establishes the minimum charge for a container of the given commodity.

Taking a real world example, for the category "drugs or medicines" (Item No. 185 in section 2 of Tariff 14) the rate for shipment in a standard 40-foot container is 865 cents (i.e., \$8.65) per 100 pounds, and the minimum weight required per container is 34,000 pounds. If a shipper tenders a container consisting of, say, 35,000 pounds of Item 185 goods, the charge for the container would be $350 \times \$8.65$, or \$3,027.50. If, on the other hand, due to the volume of the specific items shipped, it is possible to fit only 30,000 pounds of certain Item 185 goods into a container (i.e., less than the minimum weight set for a container for Item 185 goods) the shipping price for that container would be calculated based not on the actual weight of 30,000 pounds, but on the minimum required weight of 34,000 pounds, i.e., $\$8.65 \times 340$, or \$2,941. In sum, under the straight application of the tariff, the charge applied to a container of a particular commodity is calculated based on either the actual weight of the goods in the container or the listed minimum weight required for that commodity, whichever is greater.

Application of a minimum weight requirement per container is entirely appropriate and economically rational because the "product" that Matson sells is essentially container-sized

blocks of the finite cubic cargo space on its ships. The cubic space occupied by, say, a 24-foot container is the same whether the container is empty or full.

The "Overflow" rule

The essence of DHX's complaint pertains to increases in the minimum charges pertaining to so-called "overflow" cargo, meaning, in essence, the last, partially filled container of a shipper's multi-container shipment. The overflow provision, set out in Rule 31 of Tariff 14, applies only to shipments of weight-rated commodities, and it provides that when a multi-container shipment is tendered, the last, partially filled (or "overflow") container will be assessed at the applicable containerload rate for that commodity (*i.e.*, by multiplying the number of pounds by the rate listed for that item) without regard to the minimum weight requirement, but subject to a flat minimum charge for the container. (The rule sets a different flat minimum charge for 24 foot containers, 40-foot standard containers, and 40-foot "high cube" (*i.e.*, extra tall) containers.)

To illustrate how the rule works, let us return to the example discussed above. Say a shipper of Item 185 drugs and medicines tenders a full 40-foot container containing 36,000 pounds of the Item 185 goods plus a partially full 40-foot standard container containing 30,000 pounds. As illustrated above, under the straight tariff, in the absence of the overflow rule, the partially-full, "overflow" container would be priced at the full-container rate – in this case, \$8.65 x 340, or \$2,941 (the rate times the required minimum weight of 34,000 pounds.) The overflow rule, however, permits the overflow container to move at less than the full-container rate. Under the overflow rule, the applicable charge for the overflow container would be the greater of (1) the rate derived from multiplying the actual weight of the commodity by the per-100 pound rate in the tariff (\$8.65 x 300, or \$2,595) and (2) the flat minimum overflow charge listed in the

overflow rule for a standard 40-foot container (\$2,236). Thus, the charge in this example would be \$2,595 – less than the full container rate of \$2,941 that would apply absent the overflow rule.

To take another example using the same commodity, if the weight of the overflow container were, say, 25,000 pounds rather than 30,000, the charge under the overflow rule would be the greater of (1) the rate derived from multiplying the actual weight of the commodity by the per-100 pound rate in the tariff ($\$8.65 \times 250$, or \$2,162.50) and (2) the minimum charge listed in the overflow rule for a standard 40-foot container (\$2,236). Thus, the applicable charge in that case would be the minimum “overflow” charge of \$2,236 – again, substantially less than the full container rate of \$2,941 that would apply without the overflow rule.

In essence, therefore, the overflow rule exempts the last, partially-full container of a multi-container shipment from the otherwise-applicable minimum weight requirement for that container, and permits the container to move at a rate lower than the full-container rate that otherwise would apply under the straight tariff provision. The purpose of the rule was, and is, to attract the business of shippers who would ship multiple containers at a time, by providing a price break on the last fractional container in a particular multiple-container shipment.

The role of freight forwarders

Freight forwarders have played an important role in facilitating the movement of goods in the U.S.-Hawaii trade. A freight forwarder, such as DHX, is essentially a middleman that holds itself out to the shipping public as a carrier, but does not provide the actual carriage of the goods. Rather, it purchases the transportation from carriers like Matson and Sea-Land that actually perform the underlying carriage of the goods. Thus, in ocean-shipping parlance, freight forwarders are known as “non-vessel operating common carriers,” or NVOCCs, while ocean carriers such as Matson are known as “vessel-operating common carriers, or VOCCs. Because

they hold themselves out as carriers, forwarders such as DHX are both customers of, and competitors with, carriers such as Matson.

Historically, the essential function of freight forwarders such as DHX has been to assist shippers who typically ship less than a full containerload of goods at a time (so-called "less-than-containerload," or "LCL" shippers), by consolidating the less-than-containerload shipments of several shippers, organizing them into full containerloads, and tendering them to an ocean carrier for shipment. The freight forwarder thus would pay the ocean carrier the applicable full container rate for the cargo, and would charge the LCL shippers a rate above that full container rate but less than what the shipper would pay under the ocean carrier's tariff for an LCL shipment. In performing this function, the freight forwarder provides a valuable service to the LCL shipper and to the underlying ocean carrier. The LCL shipper obtains a cost benefit by being able to ship its LCL freight at less than an LCL rate and also an administrative benefit in having a single entity (the freight forwarder) responsible for shepherding a shipment all the way through from origin to destination and handling the associated paperwork. At the same time, the freight forwarder would also provide a valuable service to the underlying ocean carrier, in that the carrier would be freed from performing LCL consolidation itself, thus relieving the carrier of the associated administrative and logistical burdens such as maintenance of the necessary physical plant to perform consolidations (warehouses, etc), manpower, and required paperwork. In short, in acting as LCL consolidators, freight forwarders provide a valuable service to ocean carriers by obviating the need for such carriers to handle and consolidate small shipments.

Over the years, however, freight forwarders such as DHX have moved beyond their essential function as LCL consolidators, and have begun to manipulate Matson's tariff provisions, including the overflow rule, to employ those rules in ways that were not originally

intended, drawing business away from Matson. They would do this by seeking out shippers of multiple-container shipments (the very shippers the overflow rule was intended to attract to Matson) and gathering and manipulating the shipments of different shippers – breaking them up and recombining them in different ways – to artificially increase the number of partial containers that would qualify for the lower rates available under the overflow rule.¹ Creation of these new, essentially “artificial” overflow containers permits the forwarder to profit by charging the shipper something less than the full-container rate that otherwise would apply absent the forwarder’s manipulation, but more than the overflow rate that the forwarder must pay the underlying carrier. Because overflow containers generally are priced lower than full ones, manipulating full containers to artificially create more overflow ones works to the economic disadvantage of the underlying ocean carrier.

But unlike the economically beneficial role forwarders play in consolidating less-than-containerload shipments into full containers that the underlying ocean carrier can transport more efficiently, the breakup and manipulation of various shippers’ previously full containers to create new, artificial overflow containers does not create efficiencies in the transportation of the goods. Indeed, it introduces inefficiencies by requiring the breakup, mixing, and reassembly of containers that otherwise would stay intact, and forces the inefficient allocation of cargo space on the underlying carrier’s ships, because it is forced to carry an artificially high number of overflow containers that, by definition, are only partially full. Indeed, that is the forwarders’

¹ Other provisions of Matson’s tariffs that contribute to freight forwarders’ ability to manipulate the overflow rule and capture full-containerload business from Matson include the rules permitting the mixing of different commodities in the same container and permitting, with respect to certain pairs of commodities, a normally higher-rated commodity to be carried in a container with a lower-rated one and priced at the lower rate.

goal – to break up efficiently transportable full containers and create extra, space-wasting partially full overflow containers from which they can profit.

Through their manipulation of overflow and other tariff rules, DHX and other freight forwarders have thus become direct competitors of Matson for the business of containerload customers, and have done so to the point that I estimate that approximately 98 percent of the freight bills for shipments containing overflow containers that Matson has issued lately have been issued not to the containerload shippers whose business the rules were intended to attract, but have been issued to and paid by freight forwarders that have manipulated the rules to their own advantage (and to the detriment of efficient usage of cargo space) by obtaining full containerload shipments from various shippers, mixing and manipulating those containers to artificially create additional overflow containers from what otherwise would be full-container shipments carried at full container rates.

Rates in the Hawaii trade

DHX is challenging increases in Matson's overflow minimum charge that took effect on September 6, 1998 and October 17, 1999. Specifically, DHX complains that those increases reduced the differential, on which DHX had built up much of its business, between the rates a shipper would pay for full containers and the charges applicable to overflow containers in multi-container shipments.²

² As explained earlier, the minimum charges for overflow containers have generally been lower than the minimum charges for full containers and were instituted as an accommodation to large, multi-container shippers and to attract and maintain their business. In a few instances, the minimum charge for overflow containers has actually been greater than the minimum charge for full containers; in those cases, the latter charge applies. DHX's complaint clearly does not concern these few instances, since those instances could not have been used by DHX to attract customers or gain a competitive advantage.

DHX is correct that on September 6, 1998, the minimum charges for overflow containers under Rule 31 of Matson's Tariff 14 were increased 10% and that on October 17, 1999, those minimum charges increased 7.5%. DHX is incorrect, however, in regarding those increases as 10% and 7.5% increases in separate, stand-alone "rates" of Matson Navigation Company. The minimum charges for overflow containers set forth in the overflow rule, Rule 31, are only available in connection with shipments of two or more containers. Therefore, the minimum charge applicable to overflow containers is merely a component of the rates applicable to multi-container shipments, and cannot be viewed in isolation from those rates.

The increases in Matson's port-to-port rates in the Hawaii trade that were put into effect on September 6, 1998 and October 17, 1999 did not result in increasing any rate for a multi-container shipment to a level greater than 7.5% from the rate in effect for such a shipment in effect one year prior to those increases. In other words, all [the vast majority] of the multi-container rates in Matson's port-to-port tariffs resulting from the changes effected on September 6, 1998 and October 17, 1999 were within the "Zone of Reasonableness" established by 49 U.S.C. § 13701(d) and were therefore reasonable and lawful.

My conclusion is based on consideration of all the increases in minimum charges for overflow containers and all the general rate increases taken by Matson with respect to Tariff 14 between September 6, 1997 (one year before September 6, 1998) and October 17, 1999.

To provide some perspective, all of the general rate increases and increases in the minimum charge for overflow containers effected by Matson to Tariff 14 since January 1, 1996, when Section 13701(d)'s Zone of Reasonableness first became law, are as follows:

1996

January 28, 1996: 3.8% general rate increase; 3.8% increase in the overflow minimum charge in Rule 31.

1997

February 1, 1997: 3.5% general rate increase; 3.5% increase in the overflow minimum charge.

1998

September 6, 1998: 5% general increase in all weight-rated commodity rates; 10% increase in overflow minimum charge.

1999

February 14, 1999: 2.5% general increase in all weight-rated commodity rates; no increase in overflow minimum charge.

October 17, 1999: no general rate increase; 7.5% increase in overflow minimum charge.

The general increase in weight-rated commodity rates and the increase in the minimum charges for overflow containers made effective on September 6, 1998 did not result in an increase of more than 7.5% in any rate for any multi-container shipment. Consider a two-container shipment containing one full container and one overflow container. If the charge for a full container before September 6, 1998 had been R and if the minimum charge for an overflow container had actually been the same as the full container rate, the rate for the full two-container shipment before September 6, 1998 would have been 2R. The rate for the same shipment on September 6, 1998 would have been $2.15 R (R + .05R + R + .10R)$, which is exactly 7.5 percent more than the rate in effect one year earlier. In almost all cases, the minimum charge for overflow containers before September 6, 1998 was less than the charge for a full container, and in those cases (the only cases DHX is complaining about), the increase in the rate for two-container shipments would have been less than 7.5 percent, and the increases in the rates for

three or more containers would have been even less. In any event, in no case was the rate for an overflow container more than the rate for a full container, so the increase in rates for multi-container shipments effected on September 6, 1998 would never have been more than 7.5 percent.³

Apart for general rate increases, Matson from time to time makes changes in weight rates for individual commodities or particular movements, both upwards and downwards. DHX's complaint has not challenged any of these individual rate adjustments. I have reviewed all of the changes of this type made since September 6, 1997, in Tariff 14. I have found no case in which, as a result of such individual changes, the rates for multi-container shipments involving overflow containers in effect after the general increases were taken on September 6, 1998 were more than 7.5 percent above the rates for those shipments in effect one year earlier.

Accordingly, all of the rates for multi-container shipments involving overflow containers in effect on September 6, 1998 were not more than 7.5 percent above the rates for such shipments in effect one year earlier and were therefore conclusively reasonable under 49 U.S.C. § 13701(d).

Similarly, all of the rates for multi-container shipments involving overflow containers in effect on October 17, 1999 were not more than 7.5 percent above the rates for such shipments in effect one year earlier, and were therefore conclusively reasonable under 49 U.S.C. § 13701(d).

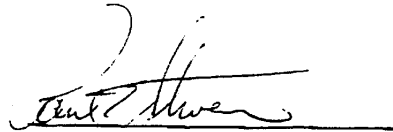
Finally, I wish to reiterate a point made in my earlier verified statement. I am personally familiar with the internal deliberations at Matson that resulted in the increases in the minimum

³ In a few instances, the specified minimum charge for overflow containers in Tariff 14 today are actually higher than the minimum weight-rated rate for a full container, and this may have also been the case on September 6, 1997, but in those instances, the shipper could have not used the overflow rule and simply applied the minimum rate for a full container to its overflow container. In no case, therefore, was the rate for shipments containing overflow shipments more than minimum weight-rated rate applicable to such shipments.

charges for overflow containers made on September 6, 1998 and October 17, 1999. Based on that personal knowledge, I can confirm that those increases were independently effected by Matson. They were not discussed, coordinated with, or planned or set in conjunction with Sea-Land Services or any other carrier, and they were not made pursuant to any agreement among carriers.

I, Paul E. Stevens, declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on November 15, 1999.

A handwritten signature in cursive script, appearing to read "Paul E. Stevens", is written over a horizontal line.

CSX Lines Introduces New Hawaii Service

CHARLOTTE, N.C. - October 16, 2000 - CSX Lines today introduced a new Hawaii service--the Midweek Express. The Midweek Express (MWX) is a fortnightly service offering three distinct benefits to customers: a direct sailing from Southern California arriving Sunday in Honolulu; direct service from Honolulu to Tacoma; and Intracoastal service from Tacoma to Long Beach. The Midweek Express will provide Hawaii customers with more direct sailings from the West Coast to Hawaii, better connections from inland points, increased capacity for reefer shipments and other specialized equipment, enhanced equipment availability, and greater service flexibility.

"This deployment reaffirms CSX Lines commitment to the Hawaii trade," said Tom Cowan, CSX Lines senior vice president, Alaska, Hawaii and Guam. "The Hawaiian economy appears to have turned the corner, and CSX Lines is prepared to support Hawaii's economic growth by adding this new service." The Midweek Express was designed around midweek departure from Southern California with Sunday cargo availability in Honolulu, an important advantage for time-sensitive shipments. "CSX Lines offers the only direct connection from Southern California to Honolulu with Sunday cargo availability," said Brian Taylor, CSX Lines vice president, Hawaii and Guam. "This deployment, in conjunction with our recent chassis purchases, provides our customers with a clear advantage in Hawaii."

The Midweek Express sails from Long Beach early Wednesday morning, providing the Southern California and Pacific Northwest markets with Sunday cargo availability in Honolulu every other week. This service compliments CSX Lines' California-Hawaii Express (CHX) service, which sails at the end of the week, by providing two direct sailings from the trade's largest market. This addition brings the number of CSX Lines' vessels committed to the Hawaii trade to eight, with three Honolulu arrivals every other week.

CSX Lines, LLC is a wholly owned subsidiary of CSX Corporation, providing domestic container service from the 48 contiguous states to/from Alaska, Hawaii, Guam and Puerto Rico. The Charlotte, N.C.-based company has offices throughout the United States, 16 ships and 27,000 state-of-the-art containers.

CSX Lines' dedicated customer service team is available 24 hours a day/7 days a week to take care of bookings and documentation, on the web at www.csxlines.com or toll-free at 877-678-7447.

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CSX-04102

<http://www.csxlines.com/wwwsite/News/Press/PR20001016hg.asp>

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Did you know??

CSX, Matson in U.S.-Hawaii deal

Updated 10:01 a.m. ET, Fri Jul 20, 2001

**BY CHRIS DUPIN
JoC ONLINE**

CSX Lines has entered into an agreement to ship Hawaii-bound cargo on Matson Navigation Co. vessels.

Starting on August 1, CSX will ship some boxes on Matson's midweek service out of Southern California. CSX, which offers weekly sailings to Hawaii from Long Beach every Friday and had offered sailings every other Wednesday, will now offer sailings every Wednesday.

Previously, CSX had trucked boxes up to Oakland to catch Wednesday sailings by CSX vessels to Hawaii from northern California.

Tom Cowan, a senior vice president at CSX Lines, said the company may continue to dray some boxes to Oakland, but would now have the option of putting boxes on Matson vessels. He would not disclose how many slots CSX will purchase from Matson on a weekly basis.

Cowan also said that CSX is evaluating the future deployment of the CSX Producer, the 1,500 TEU ship that currently operates the midweek sailings out of Long Beach.

Matson spokesman Jeff Hull said the two companies have a long history of cooperation, and that he agreement was an "extension" of that cooperation.

Chris Dupin can be reached at cdupin@joc.com.

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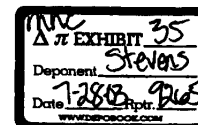
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7/20/2001