



Written Copy of Oral Testimony to the Surface Transportation Board
RE: Docket No. AB-515 (Sub-No. 2X) and STB Finance Docket No. 35160
Eugene, Oregon
August 21, 2008
Eric E. Farm

223348

223347

Good afternoon Chairman Nottingham, and Commissioner Buttrey. Thank you for the opportunity to speak today and provide input on the proposed abandonment of the Coos Bay Line by CORP and the Feeder Line Application by the Port of Coos Bay. My name is Eric Farm and I represent Menasha Forest Products Corporation which is based in North Bend, Oregon.

Menasha is a private timber company that has been in Southwestern Oregon for over 100 years. Our sole business is managing over 100,000 acres of timberland throughout Southwest Oregon. We do not operate any manufacturing facilities, and consequently do little business directly with CORP, only amounting to 4 or 5 rail cars of bulk fertilizer per year. But the more important issue to us, and all forest products companies in the region, is the secondary effects on our business, imposed by a lack of rail service on the Coos Bay Line.

Phone 541-756-1193
Fax 541-756-7833

Post Office Box 588
North Bend, OR 97459-0102

Menasha alone harvests and sells approximately 100 truck loads of logs each day to local lumber, plywood, and chip manufactures that are all serviced by CORP's Coos Bay and Siskiyou Lines. Regionally, five more industrial timber companies and numerous private timberland owners own and manage over 700,000 acres which provide timber to mills along the Coos Bay Line. These timberland owners currently harvest and sell approximately 450 truck loads of logs per day to manufacturers on the Coos Bay Line alone. The mills on this line depend on this railroad to move finished products cost effectively to markets all over the United States. The loss of rail service on the Coos Bay Line has been compounded by the stagnant housing market, which has pushed lumber prices to the lowest point in over 20 years. Short term, the mills located along the Coos Bay Line are forced to operate at a loss just to remain in the global lumber market. Long term, their ability to continue operating is in jeopardy. If these manufacturers are not able to compete and must shut down their facilities, companies like Menasha will have no option but to haul all of our logs to mills along the I-5 corridor that still have rail service. Because lumber, plywood and wood chips are a commodity, it's nearly impossible to pass this additional cost of transporting raw materials on to the retail buyer of individual 2x4s or sheets of plywood. Therefore the additional cost of transporting logs or lumber to a facility with rail service must be absorbed by the manufacturer. This additional cost also reduces the price that the mills

can afford to pay for raw materials, in our case logs. If we are forced to truck every log to mills with rail service, our company would have to pay an additional \$300 per load [or \$14,000 per day] in additional transportation costs. This might not sound like a lot, but it adds up to \$3.2 million per year, which comes directly off our bottom line, and during a market cycle in which we can least afford it. Whether or not to resume rail service along the Coos Bay Line is just not an option. Hundreds of family wage jobs and the economic livelihood of our region depend on this vital transportation link.

From a safety standpoint, to get to the I-5 corridor trucks must navigate over one of two routes through the Oregon Coast Range. These highways are two-lane, windy roads, that are subject to closure during winter storms. And during the summer months, RV and tourist traffic can cause significant delays along these routes. In log trucks along, the addition of 450 round trips each day could paralyze these highways.

Another concern for timber companies with no manufacturing division, such as Menasha, is that if any mills along the Coos Bay Line are forced to close due to lack of rail service, the remaining mills may have excessive log supplies available, further reducing competition for logs and resulting in lower log sales prices. This one/two

punch of higher transportation costs, and lower sales prices will substantially reduce our company's profitability and ultimately reduce the total asset value of our timberland.

Menasha Forest Products Corporation wholly opposes the abandonment of the Coos Bay Line proposed by CORP and supports the Feeder Line Application submitted by the Port of Coos Bay. This transportation link from Coquille to Eugene is essential for the economic viability of the entire Southern Oregon Coast. The line between Coos Bay and Eugene bisects our property in numerous locations and based on my experience with the geology and topography in this region of the state, any extended period of non-use could jeopardize the possibility of ever reopening this line. Not only are the tunnels in need of immediate repair, but hillslopes and stream crossings require regular maintenance, without which the costs to repair could make reopening this vital transportation link uneconomical. Action must be taken immediately to reopen the Coos Bay Line and restore service to our communities.

Furthermore, if CORP can not operate the entire line, they should be required to sell the entire length from Coquille to Eugene to the Port of Coos Bay. The Port should be given every opportunity to make the line profitable, and the retention by CORP of short segments that are more lucrative, and allow control of the entire line, will only cause

logistical problems and delays for shippers on the line. This will undermine the Port's good faith effort to reopen this line to full service

In summary, I would like to emphasize the enormous financial strain the lack of rail service is currently imposing on companies like Menasha, and the long term negative impact on timberland values across the region if Southwestern Oregon loses rail service permanently.

This concludes my remarks and I thank you for this opportunity to comment on the Abandonment Petition and Feeder Line Application before the board