

223386
223387

**Coos Bay Rail Line Abandonment and Feeder Line Application Hearing of the Surface
Transportation Board Hearing**

Eugene, Oregon – August 21, 2008

AB-515 Sub 2
FD-35160

Good morning/afternoon Chairman Nottingham and fellow STB board members. Thank you for the opportunity to testify and provide comment on the proposed abandonment of the Coos Bay/Coquille rail line and the Feeder Line Application by the Port of Coos Bay.

My name is Joel Nelson and I am the Senior Resource Manager for Plum Creek Timber Company's Oregon Operations. Plum Creek is the largest timberland owner in the United States. Plum Creek has operations in 19 states and we are a publically traded company. My responsibility is to manage Plum Creek's 430,000 acres of timberland in the State of Oregon. Plum Creek has no mill or production facilities in Oregon, so we do not directly do business with CORP. Plum Creek strictly manages their timberlands and sells the logs produced from these lands to area sawmills, plywood plants and pulp log facilities.

Plum Creek's interest in this rail transportation matter is similar to the interests of other forest products companies in the Bay Area region. Area sawmill customers, due to the lack of current rail service on the Coos Bay Line, are being forced to use other transportation systems, such as trucking and barges versus rail transportation to get their finished products to market. With the current cost of diesel fuel, the increased number of trucks on our two-lane highways through the Coast Range (3-4 trucks for each rail car equivalent), the wear and tear on the coastal road systems and the increased contribution of carbon into the atmosphere. All of these are bi-products of less efficient transportation systems and are more costly.

Timberland owners, like Plum Creek, rely on area sawmills and businesses with access to a reliable and competitive transportation systems, which adds value to their timberlands and the sawlogs they produce. In today's competitive global world, our United States industries must operate efficiently and competitively in order to compete in the world marketplace. If regional sawmills and other area businesses cannot compete or if they are influenced by imposed constraints, which are out of their immediate control, but that does affect their business flow

or on the movement of their finished products, then they have been cost disadvantaged. In addition, future capital investment for manufacturing upgrades may be limited or non-existent and they may eventually go out of business. If coastal area sawmills cease to exist or competition is downsized. Suddenly consuming sawmills are an additional 80-100 miles away from the owner's timberlands, like in the Willamette Valley or near Roseburg, transportation cost just drastically escalated, and the values returned to the timberlands and the produced logs are diminished. As an example, Plum Creek currently delivers approximately 40-45 loads of logs per day (\$12,000/day) to Coos Bay/Coquille area mills. If these mills were to fail and Plum Creek had to haul all their logs to the Willamette Valley and I-5 corridor mills, the cost to Plum Creek would be estimated at an additional \$2.8 million dollars per year in log transportation costs. The timberland owners have lost market and asset value. This would be the case for any southwest Oregon timberland owner, large or small, public, industrial or small private. This is a very serious concern to Plum Creek and our Coos Bay timberlands.

In fact, this is what is now happening in Coos Bay, with CORP's decision to cease operations of the Coos Bay Rail Line. The results have increased transportation costs for finished products and reduce what area mills can pay for raw materials or logs. Therefore a viable, reliable and competitively run rail system would help with this serious issue and help maintain timberland asset value for Plum Creek and other coastal timberland owners. Plum Creek invests and manages its timberlands in an environmental sound manner to protect water, air and wildlife, while growing trees and fiber to supply the lumber and plywood demand by society. Supply and demand is what makes money and keeps us in business. Anything less than having a reliable and unimpeded rail line from Coos Bay/Coquille to Eugene, we feel is unacceptable to Plum Creek and the area's sawmill customers, and should be unacceptable to Oregon.

Another concern is the proposed segmentation of the Coos Bay Line by CORP. Plum Creek feels this would be a bad precedence for rail transportation systems and in this particular case it would give CORP undue control of the rail traffic moving from the Coos Bay/Coquille region to the UP rail mainline at Eugene and the I-5 Interstate system. CORP could control the current rail traffic, traffic rates and possibly affect future commercial development on the southern Oregon coast. This rail line is a key part of the south coast's present and future economic success. With CORP's past operational performance and their current proposed business plan, we feel CORP's business plan is not in the best interest of Plum Creek or the businesses of the southern Oregon coast today or in the future.

Plum Creek is also opposed to allowing CORP to abandon the Coos Bay Line and being allowed to remove the rail line infrastructure of; rail, tie plates, ties and trestle materials. This would not be of benefit to Plum Creek, our sawmill customers, SW Oregon coast businesses or any future coastal development, which would factor rail transportation into their future business plans. Plum Creek feels neglect of the line's assets and infrastructure should not be grounds for abandonment of this key rail line from southern coastal Oregon to the I-5 corridor.

Plum Creek supports a decision that holds CORP accountable and requires that CORP fix many of the current chronic maintenance issues on the rail line. Then require CORP to be pro-active in selling the entire rail line to an interested and viable party who wants to operate the rail line. Currently that would be to negotiate with the Port of Coos Bay to buy the entire current rail line from Coos Bay/Coquille to the merger point with the Union Pacific main line near Eugene, Oregon, under the Port's proposed Feeder Line Application as filed with the STB

Plum Creek would like to again draw the STB's attention to the fact that CORP's recent actions have cost us and other timberland owners, our sawmill customers and southern Oregon coast businesses a great deal of money and opportunity over the past year. If the Coos Bay Rail Line is abandoned and service is permanently lost, the values of our timberland and timber, in the southwestern Coastal Region, will be negatively impacted both now and in the future. That would be a great loss to Oregon, the citizens of Oregon and Plum Creek's public shareholders. We feel there are solutions to this issue that will be beneficial to southwestern Oregon coast businesses, the State of Oregon, Oregon's citizens and Plum Creek.

•

In summary, Plum Creek takes the following position on these STB hearing matters;

Plum Creek opposes the segmentation proposed by CORP of the current Coos Bay Rail Line from Coos Bay/Coquille to the merger point with the UP rail main line near Eugene, Oregon.

Plum Creek opposes the abandonment proposal by CORP and the infrastructure salvaging of the current Coos Bay Rail Line.

Plum Creek supports the Feed Line Application by the Port of Coos Bay to buy entire the Coos Bay Rail Line from CORP.

Thank you for the opportunity to testify at today's STB hearing, on the Coos Bay Line Feeder Line Application and Abandonment Petition, and having our comments and concerns heard.

Have a great day.

Joel Nelson

Senior Resource Manager

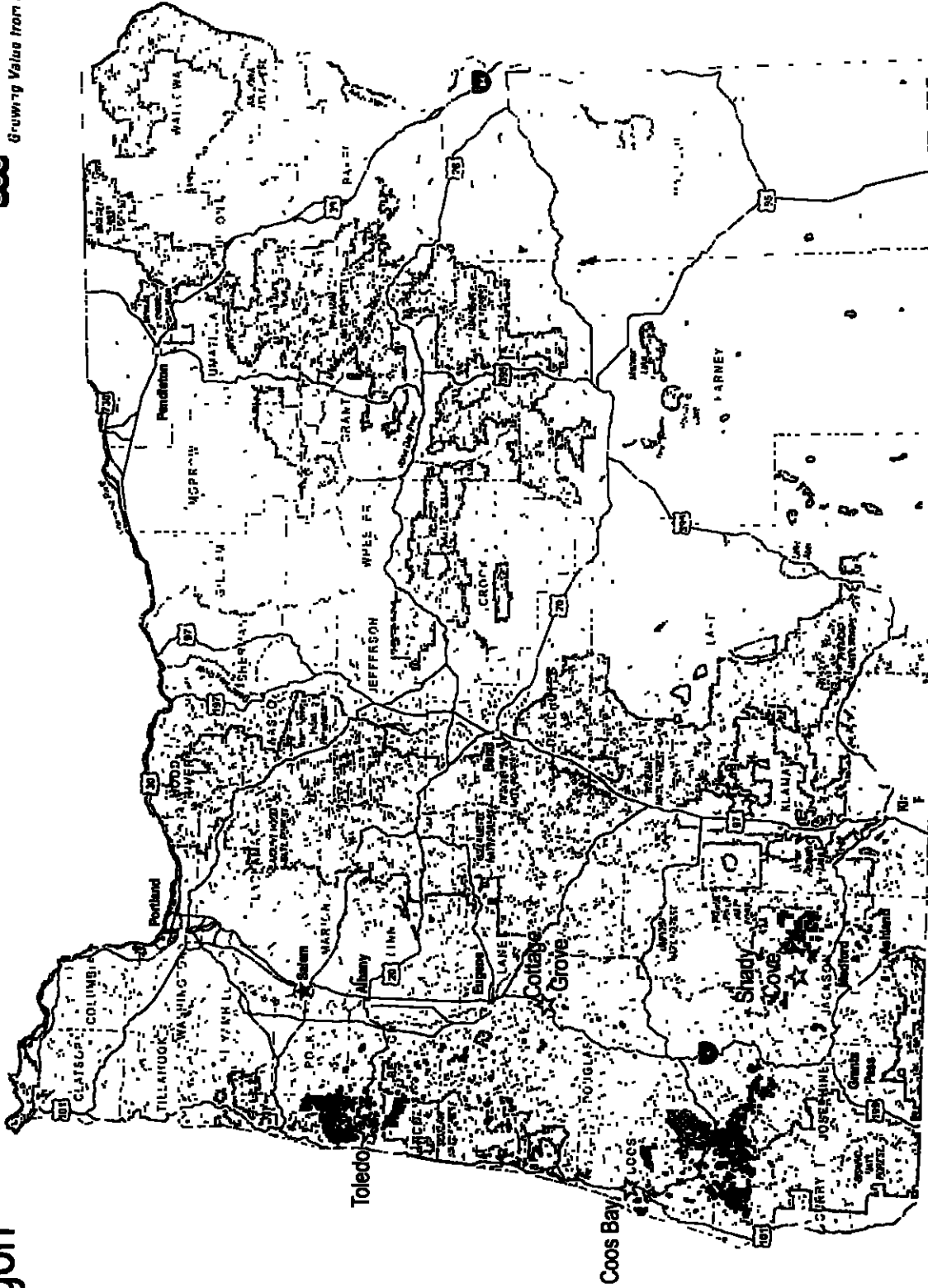
Plum Creek Timber – Oregon Operations

P.O. Box 1528

63459 Olive Barber Road

Coos Bay, Oregon 97420

(541) 269-5540



Legend		Status:	Acreage	
☆	Plum Creek Office/Facility	Employee.	44	Plum Creek: 480,000
■	Plum Creek Property	Contractors employed.	45	Forest Industry: 6,000,000
▨	National & State Forest/Parks	Customers/Mills.	49	Total Timberland: 30,474,000