

August 21, 2008

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To Anne K. Quinlan
Acting Secretary, Surface Transportation Board
From Jason Smith
Southport Forest Products
Subject Notes for oral testimony

Anne, please find the attached notes for the oral testimony of Jason Smith, testifying in reference to STB Docket No. AB-515 (Sub-No.2) and STB Financial Docket No. 35160

Introduction:

Hello, my name is Jason Smith and I am the Operations Manager of Southport Forest Products, along with a co-owner of the company

I would like to take this opportunity to thank the Surface Transportation Board for allowing me and the many affected citizens of Oregon to comment on pending actions in front of the Board regarding the CORP line that has historically provided service to Southwestern Oregon

History of Southport:

Southport Forest Products was a small sawmill and log chipping company that started up in 1998, specializing in the conversion of small logs into wood chips and lumber. As the company grew, considerations were given to invest in growing the existing facility by investing in new machinery and technology. An in depth analysis of the business identified that it was not prudent to continue to invest money in the current location due to a lack in the necessary transportation infrastructure

Southport, at that time, decided to look for a new location to build a new state of the art sawmill that had access to all of the required transportation infrastructure in order to stay competitive in an increasingly competitive global economy. The two transportation items that we identified were direct access to rail and access to a marine shipping terminal. At that time we were transloading approximately 60% of our lumber shipped out through a rail reload in Coos Bay.

Southport reached a deal with the Port of Coos Bay, whereas the port of Coos Bay sold a parcel of land to Southport on the North Spit, with the understanding that the Port of Coos Bay was required to build a rail line connecting the new Southport sawmill site with the CORP line. This process went off without a hitch and by the summer of 2005, the rail

spur was completed. With the startup of the new sawmill in the late summer of 2005, Southport started shipping lumber via rail from the North Spit.

Southport struggled with the startup of the new sawmill. It took well over a year before the new sawmill was starting to reach production levels intended. Next came a slowdown in the housing market that further reduced the value that sawmills received for their finished products. By the fall of 2007, certain lumber prices had reached historically low prices that they had not seen in over 20 years. This is unadjusted for inflation. This created conditions that made it nearly impossible for sawmills to operate profitably.

The last straw was when CORP suddenly announced an embargo on the Coos Bay line. Southport was immediately hit with huge lag times between when we called orders ready to ship and when they actually shipped out.

This was caused by a number of items, but mostly due to a lack of alternative transportation systems available to us and the other shippers in the area.

There were only a certain number of trucks available to ship our product to existing reloads in the Willamette Valley. In addition, the reloads did not have the manpower and equipment to handle the additional work load.

The end result was that inventories of finished goods swelled. This caused cancelled orders and frustrated customers that were reluctant to do business with Southport due to unreliable shipping practices.

This rippled through the sawmill industry in Southern Oregon. At Southport we immediately went into pure survival mode. We imposed a wage freeze, did away with our production bonus system and reduced benefits on our employee medical plans. In addition, we eliminated all non-essential jobs, cutting our workforce by 15%. Sawmill hours were reduced and extended shutdowns were taken around holidays.

This has been the way that we have operated since the embargo. Right now we are surviving. It is hard to say how long we can hold out. Currently, we are paying an additional \$70,000.00 per month in transportation expenses to transload our lumber to reloads in the Willamette Valley.

If rail service is not returned to the Southern Oregon coast, the long term viability of our business is suspect. It will no longer make sense to continue to invest in our sawmill facility that has no long term viability. Strategic decisions to continue to build that business will not be made and eventually the doors will close. This will have an immediate effect on the employees at Southport Forest Products and the hundreds of jobs that are created by and dependant on the forest products business.

Thank you

Jason Smith

