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BEFORE THE
SURFACE TRANSPORTATION BOARD

Central Oregon & Pacific Railroad, Inc. -
Coos Bay Bay Rail Line

)
) Docket No. AB 515 (Sub-No. 2X)
) Finance Docket No. 35160
)

ORAL TESTIMONY OF BILL GOODMAN

My name is Bill Goodman. I am the Group Manager – Western Lumber for Georgia-Pacific West, Inc. (GPW), a wholly owned subsidiary of Georgia-Pacific LLC (GP). I have been with GP for 22 years and currently have manufacturing and sales / marketing responsibility for the western lumber group. GP and its subsidiaries operate 56 wood products manufacturing facilities throughout the United States employing over 10,000 employees. I am here to speak in support of the Port of Coos Bay's Feeder Line Application to reestablish rail service on the line embargoed by the Central Oregon & Pacific Railroad (CORP).

GPW operates a sawmill at Coos Bay, OR which produces Douglas fir lumber. Until the embargo by the CORP, the Coos Bay facility was the largest shipper on the line, receiving up to 40 carloads of logs per month and shipping up to 275 carloads of finished lumber and wood chips per month.

As with most wood products companies, we are heavily dependent on the rail freight network. This is especially true of the Coos Bay sawmill, due to its geographic location on the Oregon coast and the markets served. Coos Bay is 80 to 90 miles from the Interstate 5 corridor, affecting the cost and availability of motor carrier capacity. Primary destinations are the population centers in the

West where length of haul and volumes requires the strategic advantage of rail to compete effectively.

When the rail embargo was first imposed by the CORP on September 21, 2007 with only one day's notice, it created immediate and significant issues for our supply chain. Candidly, we were surprised at the lack of communication as GP had developed an effective business relationship over the years with the CORP.

While the GP logistics team was able to quickly develop transportation alternatives - - predominantly rail service via a Eugene, OR area reload and additional motor carrier capacity - - the impact of the short notice period for the embargo caused us to temporarily shut-down production at Coos Bay putting 125 people out of work for several weeks.

On an ongoing basis, the impact of the rail embargo has resulted in a transportation cost increase on finished lumber of 17 to 21% over what we were paying prior to the embargo. The sawmill is currently operating at around 60% of capacity resulting in a freight cost impact of approximately \$1.5 million in 2008. At full production, this would translate to a cost impact of approximately \$2.5 million per year on finished lumber.

In addition, the rail embargo has adversely affected the freight cost on wood fiber - - the inbound shipment of logs and outbound shipment of wood chips. At current production levels, the cost impact on wood fiber is approximately \$550,000 per year. At full production, the cost impact would be

approximately \$935,000 per year. This volume is moving via motor carrier in the absence of rail service.

There are ancillary effects as well: increased highway congestion on two-lane coastal and mountain roads such as Highway 101 and the environmental and safety impact of additional trucks on the highway.

In summary, the absence of direct rail service will seriously jeopardize the GP Coos Bay sawmill's long-term ability to compete and sustain profitable operations. We strongly support the Port of Coos Bay Feeder Line Application as the vehicle to restore rail service to the region.

Upon the restoration of rail service, the GP Coos Bay mill operation would be considered by the company as a platform for growth. This could lead to capital investment and production expansion.

Thank you.