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Testimony of David Kronsteiner; President
Board of Commissioners, Oregon International Port of Coos Bay
Before the Surface Transportation Board – August 21, 2008, in Eugene, Oregon

Good afternoon. I'm David Kronsteiner and I serve as president of the Board of Commissioners of the Oregon International Port of Coos Bay. On behalf of the Port, I want to thank the Surface Transportation Board for convening a field hearing in Oregon to take public testimony concerning the severe impacts that lack of freight rail service in the region is having on industrial operations, our communities and local citizens.

I'm a third generation resident of the Oregon coast and my wife and I have made the Coos Bay area our home and raised our two children here. My brother and I operate a family business, West Coast Contractors, and we work both locally and throughout the Northwest.

Rail has always been a critical link in moving manufactured wood products to domestic markets from regional mills and for receiving production materials and energy commodities for use throughout the south coast. In fact, freight rail truly opened up Oregon's bay area for development and for greater utilization of our abundant natural resources. Rail has supported meaningful, well-paying jobs that provided for several generations of families in the area, and we believe rail can and should help drive the continuing development of the south coast's industrial sector.

The loss of rail service in September 2007 had immediate impacts. Transportation costs for wood products moving to market increased between 10% and 15% and will likely go higher. More trucks travel our roads with loads logistically better suited for rail. Mills have cut jobs, reduced hours, and slashed expenditures. One industrial operation has not been able to compete for new contracts since rail service stopped. Regrettably these are the impacts that make the news and get talked about at the coffee shop.

The more insidious impacts have been to the many businesses in the region that provide services and supplies to industry, including machine shops, construction firms, engineers, wholesale suppliers... it's a long list. And every firm has seen a decline in business, experienced loss of key personnel and put plans for expanded operations on hold or shut down parts of the business.

There are some who say that the downturn in construction is the problem, but we've seen that happen before, and yes, things did get better when the economy turned the corner, but this time it's different. Because when construction rebounds, mills in this region will be at a competitive disadvantage if rail service is not restored. Those already high transportation costs will continue to rise, and without competition south coast-produced commodities will lose market share and mills will struggle to survive.

Now take that to the corporate level. The CEOs, CFOs and the manufacturing planners are going to take a look at the individual mills and if a mill lacks a critical transportation link, it's not going to be on the list for upgraded equipment or expanded production. In all likelihood, that mill will become a candidate for downgrading and eventual disposal or shuttering. More jobs will be lost, both at the mill, and throughout the community, since there will be little need for industrial services or supplies.

It is apparent that the Central Oregon & Pacific Railroad has no interest in operating the Coos Bay line or in meeting their common carrier obligation as a rail service provider. They look at the Coos Bay line as a non-productive asset, and the parent company, RailAmerica, sees an opportunity to reap a windfall by abandoning the line and scrapping it, simply because current scrap steel prices can provide them an immediate return, whereas maintaining the line and helping grow rail business and serve existing customers just isn't what they're interested in. Except for the small matter of wanting state funds to support the other part of the railroad and making a profit off of public investments in the Coos Bay rail bridge and the North Spit rail spur.

Communities in the south coast region have been working to develop suitable industrial sites to attract new business to the region, and until recently several of those sites were rail served, which made them attractive to various prospects. However, the loss of rail service, combined with increasing truck fuel costs and a shortage of trucks and drivers, has taken many proposed sites out of the game, and negated the community investment and the hard work of local citizens. And again many other businesses will suffer because of the loss of future opportunity to grow their businesses.

Something similar has happened with the Port of Coos Bay. The port is pursuing several opportunities to increase maritime commerce, which could result in significant rail traffic for CORP, and the port has invested in waterfront industrial property to support these efforts. However, these projects are long term and CORP and its parent, RailAmerica, aren't interested in pursuing anything long-term. That has been demonstrated by their failure to maintain the line and protect vital infrastructure.

Our communities need resolution of this issue by the STB. Rather than allow CORP and RailAmerica to abandon the Coos Bay line, the greater public interest will be served if the port's feeder line application is approved and a reasonable price is set for acquisition of the line. The port can then restore service and support jobs and families in the south coast region.

Thank you for the opportunity to testify on these vital issues.