

**Michigan Association of Timbermen Position Paper
On
Rail Transportation**

The Michigan Association of Timbermen represents a broad cross section of forest products industry within Michigan. Our members have been greatly impacted by the reduction of railcar availability and service in Michigan's Upper Peninsula. We are asking for your help in addressing this transportation issue with your colleagues.

The lack of available rail cars is becoming an increasing problem for our members. Logs are rotting in rail siding yards because the logger can not get the rail cars needed to transport the logs to the mills. The cars that are made available have seen a huge increase in cost. In many of these cases it is just not feasible to ship by an alternative method such as trucking, partly due to increasing fuel prices which are the second most significant cost for the trucking companies; other reasons such as increasing cost of insurance were presented to support the need for rail transportation.

Our industry has seen a significant increase in trucking logs to the mills as a result of the past hurricanes that have plagued the Southeastern US. This has resulted in a greater demand to haul by rail car; however, Canadian National (CN) has been lowering car availability and service. According to a CN representative log shipping is not profitable to CN; therefore they will not be investing in new log cars. The greatest shortage of cars is log cars. The problem of service is still a problem when hauling out the finished products, but not as significant as hauling logs into the mills. Another note, CN will ship in empty log cars to loaded with finished products to haul out to various locations; however, they will not bring these same cars into the mill loaded with logs.

Some railroads feel it is not worth taking on new customers since it may decrease the quality of service they are giving their current customers. Canadian National has the capacity to do more. This CN will spend \$200 million on new equipment; however log car purchases are not planned. We have asked CN what if any plans they had for purchasing new log cars was and a CN representative replied, "We have no plans to change how we operate in this part of the world." CN has enjoyed record profits this past year

According to a CN representative, Canadian National is investing a great deal of money into new cars to transport lumber out of Canada due to the sudden surge in building due to natural disasters. These new cars will be ready in 2006. CN acknowledges the risk of this building surge and that potentially they will be left with millions of dollars in lumber cars that are useless. We asked why CN would be willing to invest in cars to transport lumber knowing it will likely be short term, but they are not willing to invest in timber industry that dominates the Upper Peninsula of Michigan, which would be a long term investment. The response was "dollars"; CN feels there is greater potential for profits in this short term investment then investing long term in our forestry industry.

An alternative that was presented to CN was to allow other short line carriers to use CN's rail to transport the logs. This would take all the expense and hassle out of their hands; unfortunately CN is not willing to entertain this viable solution.

Currently, CN has a monopoly on the Upper Peninsula of Michigan's rail industry and can set their rates as they see fit and they are doing just that. They have significantly impacted the flow of wood fiber from the forest to the mills. Their increase in railcar rates has caused our industry to truck the logs to the mills, thus adding to all parties cost of doing business and reducing our efficiency, productivity and profitability. The lack of cooperation on CN's part is unacceptable to our association. We are strongly asking for your support of Congressmen Green's (Wis) House Resolution 3318, which is looking to amend the Clayton Act to eliminate the antitrust exemption applicable to railroads.

Submitted by

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