

3/8/05

TOTAL PETROCHEMICAL USA, INC.
CARVILLE, LOUISIANA

Total Petrochemical USA, Inc. (TPI) operates both a Polystyrene (plastic resin) production facility and Styrene Monomer production facility at Carville, LA, which employs 400 people and produces more than 3.4 billion pounds of product annually. Both of these sites are world class in scale and in fact are the largest single site production facilities of their type in the world. Carville is an industrial area located on the lower Mississippi River approximately 15 miles south of Baton Rouge, and is served exclusively by the Canadian National Railway (CN) (which obtained the route from Illinois Central Railroad (IC) in its 1999 merger) and has no "reasonable" alternative transportation mode. The CN route follows the river between New Orleans and Baton Rouge.

To illustrate the monopolistic pricing that the CN offers TPI we must first explain some additional facts about TPI. In Laporte, Texas TPI operates the world's largest single site Polypropylene facility. This facility has open access to more than one Railroad and is therefore subject to competitive pricing.

To protect the integrity of our contract rates we will illustrate the difference using theoretical rates with the same mathematical relationship of our actual rates. For example, if it currently costs TPI \$1,000 to ship one (1) rail car of Polystyrene (non hazardous plastic pellets) from our Louisiana plant to New Orleans (approximately 81 rail miles away) it would cost us \$1,234 to ship one (1) rail car of Polypropylene (non hazardous plastic pellets) from our Texas facility to New Orleans, approximately 405 miles away. In other words, when measured in dollars per rail mile, we pay over four (4) times more to ship Polystyrene from our Louisiana plant to New Orleans than we do to ship Polypropylene from our Texas plant to New Orleans.

In addition the CN has begun billing us for Fuel Surcharges (not allowed per our written Master Rail Contract signed in 2002). These charges are exorbitant and are not based on the fuel used, but rather is based on a percentage of our base transportation rate (12% * your contract or tariff rate). These fuel surcharges have become another profit center for all of the Class 1 RR's.

Finally the captive transportation issue does not occur only where our plant is captive; it also occurs where our plant has competitive transportation options, but our customer's facility is captive. In the Chemical/Petrochemical industry we generally are expected to arrange and pay for the freight to a customer. If the customer's receiving plant can only be served by one railroad that portion of the full trip is also subject to monopolistic pricing.

This problem is occurring with respect to petrochemical and chemical plants across the nation.