

Northwoods Rail Transit Commission

Members: Ashland, Florence, Forest, Iron, Lincoln, Marathon, Marinette, Oconto, Oneida, and Rusk Counties of WI & Baraga, Delta, Dickinson, Gogebic, Houghton, Marquette, Menominee and Ontonagon Counties of MI.
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May 7, 2021

The Honorable Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E. Street, S.W., Room #100
Washington, DC 20423-0001

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Office of Proceedings
May 7, 2021
Part of
Public Record

Re: FD 36503, *Grand Elk Railroad, Inc.—Acquisition—Lines of Wisconsin Central Ltd. in the State of Michigan*
FD 36504, *Fox Valley & Lake Superior Rail System, L.L.C. – Acquisition and Operation Exemption – Lines of Wisconsin Central Ltd. in the State of Wisconsin*

Dear Ms. Brown:

On April 9, 2021, the Northwoods Rail Transit Commission (NRTC) filed a letter seeking revocation of the exemptions and stay of the effective date in the above captioned Finance Dockets. Since that time, NRTC committee members have had the opportunity to meet on three separate occasions with Watco management and staff to address numerous questions and concerns provided by our members.

Based on these meetings, the NRTC is cautiously optimistic that business growth will develop on the in-service and out-of-service rail lines subject to this transaction. Therefore, NRTC withdraws its request for revocation and stay and expresses its support for the Board's approval of this transaction under its expedited class exemption procedures while taking into consideration the following:

- In our April 9, 2021 filing, we expressed concern that "Neither Notice of Exemption mentions whether or not shippers on the acquired lines will continue to have the benefit of conditions imposed by the Board in the Board's 2001 decision in STB finance Docket 34000, *Canadian National – Control – Wisconsin Central*. An April 21, 2021 letter from WCL's counsel to the Wisconsin Department of Transportation that WCL filed in FD 36504, stated that "Nothing in the proposed sale of WCL rail lines to FOXY will affect the 2001 STB conditions or change whether or how those conditions apply for shippers on the lines." We ask that the Board confirm that it will hold WCL to that statement with inclusion of the Grand Elk Railroad lines in Upper Michigan as well as any discontinued rail lines that are brought back into service.
- We strongly encourage the Board to review the outcome of this transaction at the 1-year and 2-year anniversary to determine if business has grown on the current in-service lines and if projects to gradually repair and restore service to discontinued rail lines are underway. If growth is not occurring due to CN pricing authority impacts causing non-competitive rates, we ask that the Board consider reopening the 2001 conditions case and take action to ease pricing impacts. Our smaller,

rural shippers cannot financially afford to take on rate cases and are afraid of potential retribution for doing so. We are also concerned about the rate consequences of the new Watco carriers being 100% captive to WCL. It is our hope that over time, the new Watco carriers can negotiate for more pricing authority and access to interchange gateways at Pembine with Escanaba and Lake Superior Railroad and Port Edwards with Union Pacific Railroad. In addition, if the Watco carriers were able to obtain trackage rights to the pulp mills in Wisconsin Rapids, Biron and Nekoosa, WI, this would allow single carrier movements from historic log landings in northern Wisconsin and Upper Michigan to the log consuming pulp mills in central Wisconsin.

The Wisconsin Attorney General officially recognized the NRTC Interstate Cooperation Agreement in April of 2013. It is currently comprised of ten northern Wisconsin Counties and eight upper Michigan Counties. Our mission has been to sustain and enhance safe, reliable and efficient rail service critical to the businesses, communities and economies in northern Wisconsin and the Upper Peninsula of Michigan. Unfortunately, under CN ownership of the northern branch line segments, service declined, rates climbed and many miles of rail were discontinued since their 2001 purchase of the Wisconsin Central rail lines. The decline of rail in our region has led to the loss of businesses and the lost opportunity of attracting new business. In many communities, this has caused shrinking populations, declining school enrollments and faster roadway degradation due to more truck traffic.

Access to reliable, affordable rail service is critically important to the sustainability of the forest products and manufacturing businesses in our region. At our meetings, Watco shared examples where they have grown business on rail lines over time by providing reliable, more frequent service and truck competitive rates. They expressed a willingness to obtain log cars to work with us to bring back rail log traffic from our northern wood basket to the log using mills in central Wisconsin. They have also had success leveraging their private capital investments with state and federal grant monies to rehab discontinued lines to develop new freight rail business volumes. The NRTC is a willing public/private partner to apply for grant funding to help restore rail service to our region. Watco's customer focus and strong relationships with public and private partners will have a long-term, positive impact on transportation throughout our region. Their ability to invest capital and to provide a local sales staff to develop new business opportunities will be critical to the success of this transaction.

This transaction, if approved, will mean not only continued freight rail service for current shippers, but it also presents an opportunity to increase service and reopen rail segments for additional rail shipping businesses which will boost employment and economic activity in our region.

The Northwoods Rail Transit Commission now asks for the Board's support of an expedited approval of this transaction while continuing to apply the conditions in the 2001 STB decision.

Sincerely,



Wendy Gehlhoff - Chair
Northwoods Rail Transit Commission
wgehlhoff@co.florence.wi.us

cc: Parties of Record