

SERVICE DATE – JULY 1, 2021

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. FD 36506

WATCO HOLDINGS, INC.—CONTINUANCE IN CONTROL EXEMPTION—FOX
VALLEY & LAKE SUPERIOR RAIL SYSTEM, L.L.C.

Decided: July 1, 2021

On April 5, 2021, noncarrier holding company Watco Holdings, Inc. (Watco Holdings), its newly created subsidiary Fox Valley & Lake Superior Rail System, L.L.C. (Fox System), a noncarrier, and Grand Elk Railroad, Inc. (Grand Elk), a Class III carrier and Watco Holdings subsidiary, filed various related requests for exemption in this and other dockets in furtherance of the acquisition of several hundred miles of rail lines in Wisconsin and Michigan from Wisconsin Central Ltd., which is controlled by Canadian National Railway Company.

Among other things, in Docket No. FD 36504, Fox System filed a verified notice of exemption under 49 C.F.R. § 1150.31 to acquire approximately 509.27 miles of rail lines in Wisconsin. See Fox System Verified Notice 1, Apr. 5, 2021, Fox Valley & Lake Superior Rail Sys.—Acquis. & Operation Exemption—Lines of Wis. Cent. in Wis., FD 36504. As a result of that proposed acquisition, Fox System would become a Class III carrier. Accordingly, Watco Holdings filed in this docket a petition for exemption under 49 U.S.C. § 10502 from the prior approval requirements of 49 U.S.C. § 11323 to continue in control of Fox System upon Fox System's becoming a Class III carrier.¹

The Board received numerous responses to the proposed related transactions. By decision served April 27, 2021, Fox System, Grand Elk, and Watco Holdings were directed to file a supplement and response, and, to permit the Board time to consider the issues raised, the effectiveness of the exemptions sought by the verified notices was postponed until further order of the Board. See Grand Elk R.R.—Acquis. Exemption—Lines of Wis. Cent. in the State of Mich. (April Order), FD 36503, et al. (STB served Apr. 27, 2021). Fox System, Grand Elk, and

¹ In addition, Grand Elk filed a verified notice of exemption under 49 C.F.R. § 1150.41 to acquire 142.64 miles of rail lines owned by WCL in Michigan. See Grand Elk Verified Notice 1, Apr. 5, 2021, Grand Elk R.R.—Acquis. Exemption—Lines of Wis. Cent. in Mich., FD 36503. Finally, Watco Holdings filed a verified notice of exemption pursuant to 49 C.F.R. § 1180.2(d)(3) for an intra-corporate transfer of three segments, totaling approximately 42 miles, of the Wisconsin lines at issue in Docket No. FD 36504 from Fox System to Wisconsin & Southern Railroad, L.L.C., a Class II subsidiary of Watco Holdings. See Watco Holdings Verified Notice 2-3, Apr. 5, 2021, Watco Holdings—Exemption for Intra-Corp. Family Transaction—Fox Valley & Lake Superior Rail Sys. LLC, FD 36505.

Watco Holdings filed their joint reply to the April Order on May 7, 2021, and the Board has received several further comments from stakeholders and interested parties.

By this decision, the Board is instituting a proceeding under 49 U.S.C. § 10502(b) in this petition for exemption docket. The Board is not seeking further public comment at this time.

It is ordered:

1. Under 49 U.S.C. § 10502(b), a proceeding is instituted.
2. This decision is effective on its date of service.

By the Board, Scott M. Zimmerman, Acting Director, Office of Proceedings.