



Northwoods Distribution Services, Inc.
3200 North Rifle Road
4593 County P
Rhineland, WI 54501

The Honorable Martin J. Oberman
Chairman
U.S. Surface Transportation Board
395 E Street SW
Washington, DC 20423-0001

October 21, 2021

Re: Grand Elk Railroad, Inc.—Acquisition Exemption—Lines of Wisconsin Central Ltd. in Michigan, Docket No. FD 36503

Fox Valley & Lake Superior Rail System, L.L.C.—Acquisition and Operation Exemption—Lines of Wisconsin Central Ltd. in Wisconsin, Docket No. FD 36504

Watco Holdings, Inc.—Exemption for Intra-Corporate Family Transaction—Fox Valley & Lake Superior Rail System, L.L.C. and Wisconsin & Southern Railroad, L.L.C., Docket No. FD 36505

Watco Holdings, Inc.—Continuance in Control Exemption—Fox Valley & Lake Superior Rail System, L.L.C., Docket No. FD 36506

Dear Chairman Oberman,

In my September 13 letter I stated,

“I have worked with shippers throughout Wisconsin and Michigan and know first-hand that several shippers that are served by Watco and/or CN have not stepped forward to express their concerns due to fear of repercussions in service and contract negotiations at their other locations.”

Mr. David F. Rifkin, Watco Washington DC counsel, states in his October 12 letter that Northwoods Distribution Services (NDS) implies:

“Watco has engaged in conduct to discourage customers from raising concerns with the STB.”

There is clear and important distinction between “shippers not stepping forward due to fear of repercussions in service” and saying that “Watco has engaged in conduct to discourage customers from raising concerns with the STB.”

I stand by my statement, which Watco counsel has clearly misrepresented.

The larger question that should be addressed is how best to serve the needs of the Northwoods shipping community, i.e., Northern Wisconsin and the Michigan Upper Peninsula.

Watco has said to us and others in many forums is that they are going to:

- maintain CNs level of service and
- apply for state and federal grants/loans to upgrade infrastructure

It is unfortunate to have to say so, but that is completely inadequate!

Consistent and dependable is not how anyone in the Northwoods would characterize CNs service. Further, with 20 years of successive compounding price increases, CNs service has been far too expensive. It is for these very reasons that Northwoods shippers have moved to truck.

For Watco to state that they are committed to trying to maintain CNs level of service is an affirmation of CNs failed business model. It will not work and will not serve the Northwoods.

Shippers are not going to return to rail without real price reductions and assurance of dependable service. Competition is critically important for pricing and good rates; this is essential to address the price structure of Northwoods rail transportation.

Watco has not said how much of their own capital investment they intend to make in the Northwoods Route 8 corridor and Ashland sub. Nor have they addressed their timetable for their private capital investment or the state & federal funds they hope to access.

With no written plans and timetables for investment to serve the Northwoods, Watco's statements are mere eyewash. Their assertions are nothing more than a commitment to continue CN's 20-year record of “stepchild rail service” for the Northwoods.

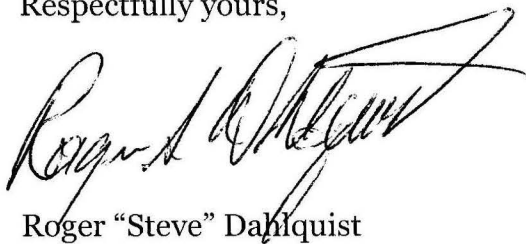
We have advocated that the CN-Watco sale should be bifurcated with everything north of Wausau broken off to an independent operator whose sole purpose is to serve the Northwoods. Only then can Northwoods shippers be assured of commitment and service. Further, *with clear ownership and the ability to control customer pricing and billing, the independent operator can make the price reductions necessary to bring back shippers.*

A small independent operator that has a singular focus to serve the Northwoods, by building rail service from Wausau north, will have to be price competitive to survive and will not suboptimize customer service. They will not be thinking about other, greater by far, value-added priorities with more immediate returns in the Fox Valley and elsewhere in central and southern Wisconsin.

Once again, my business, Northwoods Distribution Services, sustainability and future growth is reliant upon improving rail service to meet my customers' requirements. Clearly with no ability to reduce the price of shipping and with Watco following in CN's footsteps by committing to maintain CN's mediocre to poor level of service does nothing to enhance my ability to serve the customer base that relies on my distribution facility. Indeed, the CN-Watco divestment is a step backwards for the Northwoods. For while the CN never reduced prices in 20 years, they at least had the authority to do so and, in this agreement, Watco does not have that ability.

Finally, the Northwoods needs rail service that is both accountable and sustainable. We continue to believe that an independent operator whose sole focus is the Northwoods, from Wausau north is the only realistically workable and sustainable option for the Northwoods.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Roger A. Dahlquist", written over a horizontal line.

Roger "Steve" Dahlquist

Cc:

Governor Tony Evers
Senator Tammy Baldwin
Senator Ron Johnson
Representative Tom Tiffany
Robert Paradise
David F. Rifkind
Bruce Ridley
Dennis Schoeneck
Henry Schienebeck
Joshua D. McInerney
Antonia Bird
Matt Jensen
Thomas J. Litwiler
Kathryn Gainey
Jerald Wuorenmaa
John Duncan Varda
Robert E. Quick, Jr.

Erika A. Diehl-Gibbons
Wendy Gehlhoff
Jeffrey A. Bartos
Jennifer Hedrick
Craig Thompson
Yash Wadhwa
Scott Suder
Vincent R. Bauer



Northwoods Distribution Services, Inc.
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September 13, 2021

The Honorable Martin J. Oberman
Chairman
U.S. Surface Transportation Board
395 E Street SW
Washington, DC 20423

Dear Chairman Oberman,

My name is Steve Dahlquist, I founded and have owned and operated Northwoods Distribution Services (NDS), located in Rhineland Wisconsin since 2001. We are the only transload facility, north of Route 8, serving the Northwoods of Wisconsin and Michigan, and as such provide vital service to the Rhineland Paper mill as well as to the remaining Northwoods industry.

I will not belabor you with the long history of deteriorating rail service under CNs ownership but in concert with your request for issues dealing with "First Mile, Last Mile" service problems, my company desires to further elaborate on a continuing issue. Other CN service issues were well documented in my earlier submissions to the STB. I only mention it, because it is the reason, I have been trying to expand my business to better serve the Northwoods economy.

I am writing to you to express my complete frustration with CNs continued delays, stalling, runarounds, and obfuscation. Clearly what I bring forth falls under issues within the "First & Last Mile" of service, as NDS is a CN served customer.

To grow my business and to better serve my customers, I have proposed to add additional track on my property for storage and additional operational flexibility to address and to help remedy CNs service issues. I began planning this expansion in the first quarter of this year with Volkmann Railroad Builders of Menomonee Falls Wisconsin.

CN delays of project approval include:

- The original approved standards are no longer accepted. (Rail weight, and switch size)
- The original project blueprints that have been accepted in the past now required additional details
- Correspondence failed to move the project forward in a timely and professional manner.

Once new blueprints were developed and we were given the "okay" by the CN rep that our previously acquired switches from the CN would be accessible, we were then informed that further switch and track qualifications would need to be met before project approval would occur.

We then received the request that the blueprints needed to be in "CN color." We accommodated them once again and sent the blueprints in "CN color" code. While we were clearly responding to their every request in a timely manner, CN failed to recognize receiving them until we again initiated correspondence.

After getting acknowledgment that they received the new blueprints, we were informed through Watco that a water drainage report was now required, which was never needed in the past.

Watco has offered to try to help us get our project pushed through the CN approval process. Unfortunately, Watco has also not been able to move CN out of its foot dragging posture of continued delays.

As our situation stands today, CN still has not approved our expansion, and the time window for construction this fall is shortening every day.

I have worked with shippers throughout Wisconsin and Michigan and know first-hand that several shippers that are served by Watco and/or CN have not stepped forward to express their concerns due to fear of repercussions in service and contract negotiations at their other locations.

I am aware of comments you made at the July 12-13 meeting of the Midwest Association of Rail Shippers at Lake Geneva, Wisconsin concerning the threats and punitive actions (quasi-embargo) which some freight shippers and receivers had received from certain carriers, as punishment for bringing service failures to the attention of the STB. Information was passed on to me by a colleague who was present at your remarks in which you expressed total objection to those threats, and indicated that you would accept personal telephone calls concerning this type of coercion. I would be delighted to speak with you about these matters.

We appreciate STB's leadership and support of shippers; we would welcome any focus that you can bring to the CN/Watco sale and this matter. As always, we strongly support a locally owned and operated service provider that is attentive to our needs and that of our customers.

Respectfully yours,

Steve Dahlquist

CC The Honorable Thomas P. Tiffany