

July 13, 2026

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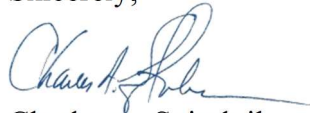
Re: *St. Paul & Pacific Railroad Company, LLC – Discontinuance Of Service Exemption – In Santa Cruz County, Cal.*, STB AB-1351X

Dear Sir or Madam:

I have attached for e-filing the Comment of Santa Cruz, Big Trees and Pacific Railway Company in the above-referenced proceeding.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Charles A. Spitulnik

Attachment

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Docket No. AB-1351X

**ST. PAUL & PACIFIC RAILROAD COMPANY, LLC
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN SANTA CRUZ COUNTY, CAL.**

COMMENT OF SANTA CRUZ, BIG TREES AND PACIFIC RAILWAY COMPANY

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Company*

Dated: July 13, 2026

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Docket No. AB-1351X

**ST. PAUL & PACIFIC RAILROAD COMPANY, LLC
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN SANTA CRUZ COUNTY, CAL.**

COMMENT OF SANTA CRUZ, BIG TREES AND PACIFIC RAILWAY COMPANY

The Santa Cruz, Big Trees and Pacific Railway Company (“SCBG”), a Class III common carrier railroad, respectfully submits this comment regarding the proposal of St. Paul & Pacific Railroad Company, LLC (“SPPR”) to discontinue operations on the Santa Cruz Branch Line (“Santa Cruz Branch”) from milepost 3.0 to its terminus at milepost 31.39 in Santa Cruz County, California. While SCBG does not oppose the discontinuance request, it comments to make the Board aware of the Santa Cruz County Regional Transportation Commission’s (“Commission”) role in the discontinuance and the systematic neglect of the line that led to it, notwithstanding the Commission’s various commitments to preserve and not interfere with rail service. The preventable deterioration of the Santa Cruz Branch, and now this discontinuance compelled by the Commission, bring that line one step closer to full abandonment, which would result in permanently stranding the connecting Felton Branch Line (“Felton Branch”) that SCBG owns and operates. SCBG is concerned that the Commission may soon seek to acquire the freight rail property interest in the Santa Cruz Branch merely to abandon it, which would constitute misuse of the Board’s procedures and undermine the Board’s objective of preserving viable rail lines.

COMMENT

I. The Condition and Status of the Santa Cruz Branch Directly Affects SCBG's Common Carrier Operations

SCBG is an interested party in these proceedings because the line it operates, the Felton Branch, has but one connection to the interstate rail network, which is via a portion of the Santa Cruz Branch that is now the subject of this discontinuance proceeding. These proceedings bring SCBG's Felton Branch closer to becoming a stranded segment, which would permanently preclude SCBG from being able to serve shippers or utilize its rail assets for common carrier service.

SCBG is a Class III railroad that provides common carrier freight and tourist excursion passenger service on the Felton Branch, a 9-mile segment of rail line between Felton and Santa Cruz in Santa Cruz County, California. Verified Statement Melani Clark ¶ 2 ("V.S. Clark"), attached as **Exhibit A**. SCBG owns and operates freight service on the Felton Branch pursuant to authority granted by the Interstate Commerce Commission in 1985. *Id.* ¶ 5; *Santa Cruz, Big Trees & Pacific Railway Co. – Exemption from 49 U.S.C. 10901 and 11301*, FD 30648 (ICC served May 9, 1985). SCBG's parent company, Roaring Camp & Big Trees Narrow Gauge Railroad ("Roaring Camp"), also operates passenger excursion rail service over a portion of insular track in Santa Cruz County that is separate from the Felton Branch. V.S. Clark ¶ 3.

The Felton Branch's only connection to the interstate rail network is at its terminus in Santa Cruz, where it connects to the Santa Cruz Branch. SCBG maintains a trackage rights agreement with SPPR that permits it to access the UP line in Watsonville. *Id.* ¶ 7. If any segment of Santa Cruz Branch between Santa Cruz and Watsonville were fully abandoned, the Felton Branch would become a permanently stranded segment, meaning SCBG would no longer be able to access the interstate rail network from the Felton Branch. *Id.* ¶ 36.

SCBG has been offering common carrier freight service on the Felton Branch since it acquired it in the 1980s. *Id.* ¶ 6. SCBG has invested considerable resources into first restoring and since then maintaining the Felton Branch in operable condition. *Id.* The SCBG used the Santa Cruz Branch to access the interstate rail network when it was operable, and would use it for operations today if it could. *Id.* ¶ 35. While the gradual decline in condition of the Santa Cruz Branch, described below, has prevented SCBG from utilizing the Santa Cruz Branch, to this day SCBG has customers interested in utilizing its services as soon as the Santa Cruz Branch is returned to operable condition. *Id.* Moreover, SCBG has its own rolling stock on the Felton Branch that it could operate on other portions of the interstate rail network if the Santa Cruz Branch were operational. *Id.*

SCBG has remained committed to supporting the Santa Cruz Branch by working voluntarily with the various freight operators and the Commission to maintain the Santa Cruz Branch. *Id.* ¶ 37. It has provided locomotive power and assisted with track repairs, bridge repairs, and signal repairs. *Id.* It contributed technical input on projects, and most recently installed more than 300 ties in support of 12 new railroad crossings associated with a federally funded 7.5-mile trail segment that is adjacent to the tracks. *Id.* Because of its deep commitment to the freight easement and the community, all of these contributions have been provided at no cost to the freight operators or the Commission. *Id.*

Despite its efforts, the SCBG now faces the prospect of a long period in which no connection to the national rail network will be immediately available. Moreover, SCBG is concerned that the Commission's current plans for using the Santa Cruz Branch exclusively as a trail will undermine any prospect for the resumption of freight or passenger service on the line. *Id.* ¶ 38. SCBG raises its concerns with the Board to prevent any attempts to improperly use the

Board's procedures and undermine the eventual reinstitution of the rail connection to the Felton Branch.

II. The Commission Has Ignored Its Commitments and Neglected Preserving Rail Service on the Santa Cruz Branch in Favor of Seeking to Build a Recreational Trail

The Commission acquired the Santa Cruz Branch in an operable state based on approval from the Board that was conditioned on non-interference with common carrier rail service. It acquired the line with state public money conditioned on continuation of rail operations and thereafter obtained local public funding for maintenance of rail service, and entered into contractual commitments requiring adequate maintenance of rail facilities. Yet under the Commission's ownership over the past 14 years the Santa Cruz Branch has slipped into such bad condition that the line has now been inoperable for some years and will require significantly more investment to restore than would be necessary if it had been properly maintained. Instead of meeting its commitments to preservation of rail service, the Commission has neglected the condition of the Santa Cruz Branch and starved it of resources in favor of pursuing recreational trail-building.

A. The Commission's Influence Over the Santa Cruz Branch Contrasts With Its Previous Declarations Before the Board Not To Interfere With Freight Service

The Commission's precipitation of this discontinuance reflects its ongoing influence over common carrier operations, notwithstanding the Commission's repeated assertions to the Board that it would not interfere with freight service. As a result, the Commission's actions moving forward should draw greater scrutiny by the Board.

Although it owns the underlying property of the Santa Cruz Branch, the Commission is not currently directly subject to the Board's jurisdiction pursuant to the Board's *State of Maine* doctrine because its acquisition in 2012 excluded an exclusive freight rail easement. The

Commission initially sought *State of Maine* authority from the Board for acquisition of the Santa Cruz Branch in 2011, but the Board rejected the Commission’s request because the draft of the agreement between the Commission and the initial new rail operator indicated too much of an opportunity for the Commission to interfere with freight operations. *See Santa Cruz Reg’l Transp. Comm’n—Pet. for Declaratory Order*, FD 35491 (STB served Aug. 22, 2011). It was only after the Commission revised the agreement to provide “a permanent, exclusive freight rail operating easement . . . over the Line to permit it to carry out its common carrier obligation” that the Board approved the transaction. *Santa Cruz Cnty. Reg’l Transp. Comm’n—Pet. for Declaratory Order*, FD 35653, slip op. at 4 (STB served Sept. 7, 2012). The perpetual, exclusive freight rail easement originally reserved by UP was transferred to another freight rail operator, the Santa Cruz & Monterey Bay Railway (“SCMB”),¹ and was subsequently transferred again to SPPR in 2018, a transaction that the Board authorized again through a *State of Maine* determination. *See Santa Cruz & Monterey Bay Ry.—Acquis. & Operation Exemption—Union Pac. R.R.*, FD 35659 (STB served Aug. 17, 2012); *Santa Cruz Cnty. Reg’l Transp. Comm’n—Pet. for Declaratory Order*, FD 36213, slip op. at 2 (STB served Oct. 24, 2018); *St. Paul & Pac. R.R.—Change in Operators Exemption—Santa Cruz & Monterey Bay Ry.*, FD 36207, slip op. at 1 (STB served Aug. 1, 2018).

Ostensibly, the arrangement between the Commission and first SCMB followed by SPPR should have provided SPPR adequate control over common carrier freight operations, but in

¹ After refiled revised transactional documents, the Board approved the transaction, but the Commission did not proceed with the purchase because the original operator withdrew from the transaction. *Santa Cruz Reg’l Transp. Comm’n—Pet. for Declaratory Order*, FD 35491 (STB served Dec. 15, 2011); Commission Letter 1, Mar. 2, 2012, *Santa Cruz Reg’l Transp. Comm’n—Pet. for Declaratory Order*, FD 35491. The Commission’s initial selected operator, Sierra Northern Railway, then backed out, and the Commission subsequently secured a new operator, SCMB.

February of 2026 the Commission voted to terminate the Administration, Coordination and License Agreement (“ACL Agreement”) it had with SPPR’s parent company, Progressive Rail, Inc. (“Progressive”) two years ahead of its expiration date. V.S. Clark ¶ 32. Termination of the ACL Agreement, which governed SPPR’s operation of the Santa Cruz Branch, triggered a dispute between SPPR (and Progressive) and the Commission that led to negotiations and a settlement. *Id.* ¶ 33. The result was the filing of this discontinuance proceeding and the anticipated full acquisition by the Commission of the discontinued segment. *Id.*²

The Board’s *State of Maine* doctrine is intended as a mechanism for public agencies to preserve freight rail lines for freight service while allowing for public investment in the line and non-interfering public transportation uses. *San Benito R.R. LLC—Acquisition Exemption—Certain Assets of Union Pac. R.R. Co.*, FD 35225, slip op. at 4 (STB served June 23, 2011). It was never intended as a mechanism to allow public entities to pressure private freight rail operators into discontinuing or abandoning their freight rail service.

It is SCBG’s understanding that the Commission intends to acquire the discontinued freight rail easement once discontinuance is approved by the Board. V.S. Clark ¶ 34. The Board has made clear that it does not condone misuse of its procedures. Seeking to acquire a residual common carrier obligation over a rail line with the intent to abandon that line would constitute such a misuse, particularly where exemption procedures are employed to meet external funding or construction deadlines. *Iowa Traction Ry. Co.—Abandonment Exemption—In Cerro Gordo Cnty., Iowa*, AB 1269X, slip op. at 3-4 (STB served Aug. 5, 2019) (citing additional precedent).

² See also Resolution No. 48-26 Adopted by the Santa Cruz County Regional Transportation Commission on the date of April 2, 2026. A draft copy of Resolution 48-26 as approved is available at <https://www.sccrtc.org/wp-content/uploads/2026/04/Replacement-pages-for-item-21.pdf>.

Permitting abandonment in light of these representations would also contradict Rail Transportation Policy. *See* 49 U.S.C. § 10101(9) (seeking to encourage honest and efficient management of railroad). While the Commission has stopped short of compelling complete abandonment of the Santa Cruz Branch at this time, any future attempt by it to fully abandon should be considered in light of the Commission's conduct and representations before the Board to not interfere with freight rail service.

B. The Commission's Funding for Obtaining and Maintaining the Santa Cruz Branch Was Based on a Commitment to Preserve Rail Service, But It Has Instead Pursued Trail-Building

The Commission has obtained public funds for the acquisition and maintenance of the Santa Cruz Branch for rail service, yet in a little over a dozen years it has let the line slip into considerable disrepair now used to justify discontinuance. During this time, the Commission has allocated significant resources towards planning for and implementing recreational trails along the Santa Cruz Branch, to the detriment of continuing freight rail service.

The Commission's funding from the California Transportation Commission to acquire the Santa Cruz Branch in 2012 was based on its commitment "to be responsible for continuing freight rail service for as long as would be required by the Surface Transportation Board."³ The funds were authorized by a California bond proposition ("Prop 116") that provided bond proceeds to acquire rail lines. *See* Cal. Pub. Util. Code §99640. SCBG understands that the state agency overseeing the expenditure of the bond funds advised the Commission's previous

³ Cal. Transp. Comm'n, Resolution No. PA-10-06, Amending Resolution PA-08-01, at 3 (2010), <https://www.sccrtc.org/wp-content/uploads/2011/04/2010Prop116ApplApprConds.pdf>.

Executive Director that the funds could not be used to acquire the right of way for “other than rail purposes.”⁴ V.S. Clark ¶ 13.

Notwithstanding accepting funding to acquire the Santa Cruz Branch with conditions requiring it to be used for rail service, from the beginning the Commission has focused on use of the Santa Cruz Branch for trail use. *Id.* ¶ 15. This is reflected in copious planning documentation, including the 2014 Monterey Bay Sanctuary Scenic Trail Network Master Plan.⁵ While the Commission’s planning has long maintained the appearance of non-interference with freight rail service by proposing rails-with-trails configurations, the prioritization of spending reflects a preoccupation with trails at the expense of rail service.

For example, in 2016, the County of Santa Cruz voted for a transportation tax measure of which 8% was to be set aside for “infrastructure and preservation and analysis of options,” which was to include “rail line maintenance and repairs.”⁶ The County allocated more than twice as much expressly for its trail.⁷ Even the amount reserved for line maintenance was put largely towards other purposes. As reflected in the County’s audit records, a large amount of these funds has gone towards transportation studies, leaving a residual amount for vegetation management,

⁴ Letter from the Chair of the California Transportation Commission to SCCRTC Executive Director Linda Wilshusen. Santa Cruz Regional Transportation Commission (2000, May 15), available at: <https://www.sccrtc.org/wp-content/uploads/2011/04/CTCMay2000onProp116.pdf>.

⁵ Santa Cruz Cnty. Reg’l Transp. Comm’n, Monterey Bay Sanctuary Scenic Trail Network Master Plan (2014), https://sccrtc.org/wp-content/uploads/2012/10/MBSST-NETWORK-FULL_MASTER_PLAN.pdf.

⁶ Santa Cruz Cnty. Reg’l Transp. Comm’n, *Amendment 1 to Santa Cruz Cnty. 2016 Measure D: Transportation Improvement Expenditure Plan* (effective Mar. 22, 2020), <https://sccrtc.org/wp-content/uploads/2020/MeasureD-ExpenditurePlan.pdf>; see Santa Cruz Cnt. Reg’l Transp. Comm’n, *An Ordinance of the Santa Cruz County Regional Transportation Commission Enacting a Retail Transactions and Use Tax, Subject to Adoption by the Electorate, To Be Administered by the State Board of Equalization*, Ordinance No. 2016-01 <https://sccrtc.org/wp-content/uploads/2016/06/Ordinance2016TRIPvAdopted.pdf>.

⁷ Amendment 1 to Santa Cruz County 2016 Measure D, *supra* n.4.

and almost zero going to bridge maintenance or track maintenance. V.S. Clark ¶ 20.⁸ As a result, the Santa Cruz Branch has been starved of the resources needed to maintain it in operable condition. *Id.*

Meanwhile, the Commission has now seemingly dropped the pretense of working towards a rails-with-trails solution. In December 2025, it directed its staff to work towards a “Trail on the Railroad Track Alignment,” rather than a “Trail Next to Railroad Track Alignment,” based on lack of funding. *See* V.S. Clark ¶¶ 29-30.⁹ This back-tracking raises serious questions about the Commission’s faithfulness in honoring the commitments under which it sought public funding for the Santa Cruz Branch and its intentions moving forward.

C. The Commission Has Ignored Contractual Commitments to Ensure Continuation of Rail Service on the Santa Cruz Branch

The Commission has contractually committed to ensuring the Santa Cruz Branch would be maintained adequately, yet has let these contractual mechanisms slip, leading to the current state where rehabilitation of the line will be far more costly than it would otherwise be.

As a condition of the 2012 sale to acquire the Santa Cruz Branch from UP, the Commission agreed to use its “best efforts” to seek State funding to conduct rehabilitation work on the Santa Cruz Branch. Purchase and Sale Agreement and Escrow Instructions Between Union Pacific Railroad Company and Santa Cruz County Regional Transportation Commission,

⁸ Santa Cruz Cnty. Reg’l Transp. Cmm’n, *Taxpayer Oversight*, <https://www.sccrtc.org/funding-planning/measured/taxpayer-oversight/#reports> (last updated June 25, 2026) (Audits for how funds have been used since 2017).

⁹ *See also* Santa Cruz Cnty. Reg’l Transp. Comm’n, *Meeting Agenda Packet*, at 20-2 through 20-5 (Feb. 5, 2026), <https://www.sccrtc.org/wp-content/uploads/2026/02/2026-02-05-RTC-agenda-packet.pdf>.

§3.3 (Aug. 23, 2010).¹⁰ Likewise, under the ACL Agreement approved by the Board, the Commission and SPPR's predecessor in interest, SCMB, agreed that SCMB would maintain the line "in good repair and in a good and safe condition in conformity with applicable law." See ACL Agreement § 5.2.1, attached as Attachment 1 to the 2012 Commission Petition, *Santa Cruz Cnty. Reg'l Transp. Comm'n—Pet. for Declaratory Order*, FD 35653 (STB served Sept. 7, 2012); see also *id.* § 5.5 (SCMB responsible for repair or replacement related to rail operations).

Yet since its acquisition, the Commission has not consistently met or enforced these contractual commitments. The Commission has never, to SCBG's knowledge, formally sought federal assistance opportunities through the federal government's Railroad Rehabilitation and Improvement Financing program, which is designed to finance railroad infrastructure improvements. V.S. Clark ¶ 21. During its time as operator between 2012 and 2017, the Commission stood by as SCMB failed to meet its contractual obligations, performing minimal maintenance and leading to deferred maintenance on both the rail line and bridges. *Id.* ¶ 23. When SCBG's officials compared 2012 and 2018 bridge inspection reports for a segment of the Santa Cruz Branch, they found repeated instances where needed repairs identified in 2012 as Priority 1, i.e. those which must happen within a year of the report, were still included in the 2018 report, reflecting that they had never been addressed. *Id.* ¶ 24. Rather than enforce SCMB's contractual requirements to address these repairs, the Commission neglected to take any action, and instead SCMB pulled out of its contract in 2017. *Id.* ¶ 23.

By the time SPPR took over operations in 2018 on substantially the same terms as SCMB, the Santa Cruz Branch was in significantly worse condition. *Id.* ¶ 25. When SPPR

¹⁰ Santa Cruz Cnty. Reg'l Transp. Comm'n & Union Pac. R.R. Co., *Rail Line Purchase & Sale Agreement* (Aug. 23, 2010), <https://sccrtc.org/wp-content/uploads/2011/07/100803-RailLinePurchaseSaleAgreement.pdf>.

assumed operator status in 2018, it was unable to operate north of milepost 3 due to the washouts and bridge conditions just north of milepost 3. *Id.* This meant SPPR could not take advantage of excursion passenger rail rights it obtained for that portion that would have helped it financially in maintaining the line. *Id.*

The condition of the Santa Cruz Branch in 2018 prompted new commitments by the Commission to be added to the ACL Agreement to rehabilitate and repair segments of the Santa Cruz Branch. See ACL § 5.5.1, attached as Exhibit A to *Santa Cruz Cnty. Reg'l Transp. Comm'n—Petition for Declaratory Order*, FD 36213 Exhibit A (filed Aug. 9, 2018). However, the Commission and SPPR disagreed whether the Commission fulfilled these commitments. V.S. Clark ¶ 26. Although repair of a washout that occurred in 2017 was belatedly completed five years later in 2022, the lapse in maintenance to the bridges and track resulted in the line remaining closed. *Id.* SCBG understands that when the Commission submitted a letter to SPPR stating that all repairs had been completed, without supporting paperwork or inspections, SPPR did not accept the letter, and the Commission never provided the supporting documentation showing that the repairs it was contractually obligated to perform were in fact completed. *Id.*

The Commission also hamstrung SPPR in achieving its contractual goals of meeting railcar thresholds. In the fall of 2022, a broker for a potential customer, Marathon Oil, inquired with SPPR about sending Storage In Transit cars to Watsonville. *Id.* ¶ 27. While SPPR sought to accommodate the significant new business, which would have potentially resulted in 400 cars annually, the Commission resisted placing the cars on the operable segment of the Santa Cruz Branch between mileposts 3 and 4 due to visibility and anticipated complaints from locals. *Id.* Instead, the Commission requested the cars be placed further north, on a segment where allocation of responsibility between SPPR and the Commission for repairs to the track was

disputed. *Id.* Marathon Oil returned in 2025 to again ask for Storage in Transit cars to be placed in Watsonville. *Id.* ¶ 28. SPPR was beginning the negotiation process with Marathon Oil when the Commission notified SPPR of breach of contract due to low car thresholds and the Commission's intent to terminate the contract. *Id.*

After SPPR disputed the Commission's breach of contract claims, the Commission ultimately decided to buy out Progressive's rights. *Id.* ¶ 34. To manage the line, it decided to form a non-profit entity that it would take over as carrier on much of the Santa Cruz Branch, and to enter into a new ACL with another carrier, Chicago Rock Island & Pacific Railway LLC, to operate the short segment at the beginning of the line up to milepost 3.0. *Id.* The Commission has claimed that the repairs needed to operate beyond milepost 3.0 are extensive and exceed its budget, and so has entered into a settlement agreement with SPPR to discontinue the remainder of the Santa Cruz Branch. *Id.*

Rather than holding its former operator SCMB to account when it failed to adequately maintain the Santa Cruz Branch or supporting its most recent operator SPPR in making repairs for which it was responsible and facilitating new business, the Commission has neglected the Santa Cruz Branch. This has allowed it to fall into a condition that now will make it much more difficult to rehabilitate than if the Commission had met the commitments it has made. The latest developments, including this discontinuance, indicate the Commission's lack of sincerity in pursuing preservation of Santa Cruz Branch for rail service. Accordingly, the Board should take these facts into consideration in any future proceeding regarding the Santa Cruz Branch.

CONCLUSION

While SCBG does not oppose the pending notice of exemption for discontinuance of service on the Santa Cruz Branch at this time, it is concerned that this proceeding could lead to

an abandonment proceeding in the near-term future, which SCBG would oppose strenuously as inconsistent with the Board's precedent and public interest. In not opposing this proceeding, SCBG is relying on the Commission's public representations and legal commitments to seek restoration of rail service in the future, rather than strand SCBG's Felton Branch. Accordingly, SCBG respectfully requests that the Board closely scrutinize any future actions inconsistent with preserving and restoring common carrier service on the Santa Cruz Branch and prohibit misuse of its procedures in a manner that would undermine the public convenience and necessity and federal Rail Transportation Policy, including acquisition of a viable rail line simply to abandon it.

Respectfully submitted on July 13, 2026.

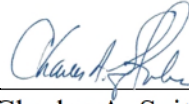


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*Counsel for Santa Cruz, Big Trees &
Pacific Railway Company*

CERTIFICATE OF SERVICE

I certify that on July 13, 2026, I caused to be served a copy of the foregoing Comment upon all parties of record in this proceeding by email.

A handwritten signature in blue ink, appearing to read "Charles A. Spitulnik", is written over a horizontal line.

Charles A. Spitulnik

Dated: July 13, 2026

EXHIBIT A

Verified Statement Melani Clark

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. AB-1351X

**ST. PAUL & PACIFIC RAILROAD COMPANY, LLC
– DISCONTINUANCE OF SERVICE EXEMPTION –
IN SANTA CRUZ COUNTY, CAL.**

VERIFIED STATEMENT OF MELANI CLARK

1. My name is Melani Clark. I am Chief Executive Officer of the Santa Cruz, Big Trees & Pacific Railway Company (“SCBG”) and the Roaring Camp & Big Trees Narrow Gauge Railroad (“Roaring Camp”). I have served in this position since December 15, 2011, and have been involved in the operation of SCBG and Roaring Camp since June 1, 1982, and am personally familiar with their operations and history.

SCBG and the Felton Branch Line

2. The SCBG is a Class III railroad offering common carrier freight and tourist excursion passenger service on the Felton Branch, which runs approximately 9 miles between Felton and Santa Cruz in Santa Cruz County, California.
3. SCBG is a wholly-owned subsidiary of Roaring Camp. Roaring Camp is a historic tourist excursion railroad that operates a portion of insular track in Santa Cruz County that is separate from the Felton Branch corridor, departing from Felton and traveling 3.25 miles up steep grades to the top of Bear Mountain.
4. The Felton Branch was constructed in 1875 to move lumber, sand, and lime from the mountains above Felton to the nearby wharf in the City of Santa Cruz. Although early in its history the Felton Branch extended through the Santa Cruz Mountains to San Francisco, now and for most of its history it has terminated in Felton, connecting to the national network solely at its terminus in Santa Cruz via a rail line known as the Santa

Cruz Branch Line (“Santa Cruz Branch” or “Line”). SCBG’s freight and excursion service utilizes less than half a mile of track on the Santa Cruz Branch pursuant to a trackage rights agreement with the Santa Cruz Branch’s owner, the Santa Cruz County Regional Transportation Commission (“Commission”).

5. SCBG acquired the Felton Branch from the Southern Pacific Railroad (“SP”) in the 1980s. SCBG was authorized to acquire and operate the Felton Branch by the Interstate Commerce Commission in 1985.
6. SCBG has been offering common carrier freight service on the Felton Branch since it acquired it in the 1980s. At the time of acquisition the Felton Branch was in poor condition. SCBG has invested considerable resources into first restoring and since then maintaining the Felton Branch in operable condition.
7. SCBG maintains a trackage rights agreement with the current operator of the Santa Cruz Branch, the St. Paul & Pacific Railroad Company (“SPPR”), which is owned by Progressive Railway Inc. (“Progressive”). The trackage rights agreement permits SCBG to access the Union Pacific Railroad’s (“UP”) Coast Subdivision and the rest of the interstate rail network at Watsonville.

The Santa Cruz Branch Line and Acquisition by the Commission

8. The Commission owns the Santa Cruz Branch, which extends generally parallel to the coastline from milepost 31.39 in Devenport to milepost 0.0 in Watsonville Junction.
9. The point of connection with the Felton Branch occurs roughly at the midpoint of the Santa Cruz Branch, at approximately milepost 20, in Santa Cruz.
10. The Santa Cruz Branch was constructed in the nineteenth century and acquired by SP in 1884. SP and its successor, UP, owned and operated the Santa Cruz Branch until 2012.
11. In 2010, the Commission obtained funds from the California Transportation Commission to acquire the Santa Cruz Branch. The prospect for public acquisition of the Line was

inspired by the passage of California Proposition 116, the Clean Air and Transportation Improvement Act of 1990, which established the Clean Air and Transportation Improvement Fund to provide bond proceeds to acquire a list of rail lines.

12. Among the projects listed in Proposition 116 was the allocation of \$11 million to the “Santa Cruz County Regional Transportation Commission” for “[i]ntercity passenger rail projects connecting the City of Santa Cruz with the Watsonville junction.” (Cal. Pub. Util. Code §99640).
13. In 2000, a letter from the state agency overseeing the expenditure of the bond funds advised the Commission’s then-Executive Director that the funds could not be used to acquire the right-of-way for “other than rail purposes.” The letter (available at <https://www.sccrtc.org/wp-content/uploads/2011/04/CTCMay2000onProp116.pdf>) went on to state that “[I]f the only transportation utility gained through the purchase of the corridor were for pedestrian and bicycle facilities, however worthwhile, the prescribed purposes of Proposition 116 . . . would not be met.” [Emphasis original.]
14. The Commission’s first attempt to acquire the Santa Cruz Branch was rejected by the Surface Transportation Board (“STB”) because the STB determined the agreement provided too much of an opportunity for the Commission to interfere with freight operations. After the Commission revised its acquisition agreement, the STB granted permission, but by then Sierra Northern Railway (“Sierra Northern”) pulled out of the transaction. Instead, the Commission secured a replacement operator, the Santa Cruz & Monterey Bay Railway (“SCMB”), with which it entered into an agreement to operate the Santa Cruz Branch.

The Commission’s History With Operators and Trail-Building

15. From the very beginning of the public’s interest in acquiring the Santa Cruz Branch, there has been tension between an interest in promoting the development of rail service

and development of a recreational pedestrian and bike trail. This tension can be seen throughout the Commission's conduct and activity with respect to the Santa Cruz Branch.

16. In 2009, UP leased most of the Santa Cruz Branch to the Sierra Northern, a transaction approved by the STB. Sierra Northern continued to operate the Santa Cruz Branch through 2012, after the Commission acquired the Santa Cruz Branch from UP.
17. Throughout its time of operation between 2009 and 2012, Sierra Northern took very good care of the Line, with regular maintenance and repair of the entire 32 miles that it operated. Sierra Northern served a number of shippers on the Santa Cruz Branch during this time, including CEMEX at milepost 32, San Lorenzo Lumber at milepost 17, and Couch Beverage Distribution, Big Creek Lumber, and Smuckers (through lineage) in Watsonville at milepost 2.5.
18. Following the Commission's acquisition of the Line in 2012, the Commission developed plans to create a recreational trail, called the Coastal Trail, along the rail right-of-way of the Santa Cruz Branch. Segments on the northern end of the Santa Cruz Branch were constructed featuring both rail and trail facilities, and cooperating agencies conducted environmental studies on the portions of the Line south of the City of Santa Cruz.
19. The study for what is known as Segments 9 through 11 examined two alternatives, an "Ultimate Trail" with the rail and trail side by side, and an "Interim Trail" with the trail removing the rail, at least until there were concrete plans to construct passenger rail on the right-of-way.
20. In 2016, the County of Santa Cruz voted for a transportation tax measure of which 8% was to be set aside for the preservation of rail infrastructure, ongoing repairs, and the evaluation of future transit or transportation options for the corridor. A large amount of these funds went towards transportation studies, leaving a residual amount for vegetation

management, graffiti, etc., and almost zero going to bridge maintenance or track maintenance. As a result, the Santa Cruz Branch has been starved of the resources needed to maintain it in operable condition.

21. The Commission has never formally sought federal assistance opportunities through the federal government's Railroad Rehabilitation and Improvement Financing program, which is designed to finance railroad infrastructure improvements.
22. The Commission contracted with SCMB to operate the Santa Cruz Branch in 2012. During this time SCMB conducted car storage between milepost 3 and milepost 25, served San Lorenzo Lumber at milepost 17, and served several other customers along the first few miles of the Santa Cruz Branch in Watsonville (Couch Beverage Distribution, Big Creek Lumber, and Smuckers (through lineage), all at milepost 2.5).
23. Between 2012 and 2017 the Commission stood by as SCMB failed to meet its contractual obligations, performing minimal maintenance and leading to deferred maintenance on both the rail line and bridges. Rather than enforce SCMB's contractual requirements to address these repairs, the Commission neglected to take any action, and instead SCMB pulled out of its contract in 2017.
24. When SCBG's officials compared 2012 and 2018 bridge inspection reports for a segment of the Santa Cruz Branch, they found repeated instances where needed repairs identified in 2012 as Priority 1, i.e. those which must happen within a year of the report, were still included in the 2018 report, reflecting that they had never been addressed.
25. By the time SPPR took over operation of the Santa Cruz Branch in 2018 on substantially the same terms as SCMB, the Line was in significantly worse condition. When SPPR assumed operator status in 2018, it was unable to operate north of milepost 3 due to the washouts and bridge conditions just north of milepost 3, which meant it could not take advantage of excursion passenger rail rights it obtained for that portion that would have

helped it financially in maintaining the Line. It continued to serve existing customers in Watsonville along the first few miles of the Santa Cruz Branch.

26. The Commission and SPPR disagreed whether the Commission fulfilled its commitments to repair portions of the Santa Cruz Branch. Although repair of a washout that occurred in 2017 was belatedly completed five years later in 2022, the lapse in maintenance to the bridges and track resulted in the Line remaining closed. When the Commission submitted a letter to SPPR stating that all repairs had been completed, without supporting paperwork or inspections, SPPR did not accept the letter. The Commission never provided the supporting documentation showing that the repairs it was contractually obligated to perform were in fact completed.
27. In the fall of 2022, a broker for Marathon Oil inquired with SPPR about sending Storage In Transit cars to Watsonville. While SPPR sought to accommodate the significant new business, which would have potentially resulted in 400 cars annually, the Commission resisted placing the cars on the operable segment of the Santa Cruz Branch between mileposts 3 and 4 due to visibility and anticipated complaints from locals. Instead, the Commission requested the cars be placed further north, on a segment where allocation of responsibility between SPPR and the Commission for repairs to the track was disputed.
28. Marathon Oil returned in 2025 to again ask for Storage in Transit cars to be placed in Watsonville. SPPR was beginning the negotiation process with Marathon Oil when the Commission notified SPPR of breach of contract due to low car thresholds and the Commission's intent to terminate the contract.
29. In 2022, the Commission was successful in obtaining a significant grant of state funds for the construction of these trail segments in the Ultimate Trail configuration. However, the Commission later found that its cost estimates were incorrect and that the only way

to hold on to the full amount of state funding was to temporarily remove or cover portions of the track in order to reduce costs.

30. The Commission debated the cost issues for its planned recreational trail at the Commission's December 2025 meeting, and the Commission directed its staff to bring back a proposal to the February 2026 meeting to allow the construction of the Interim Trail in the near-term without the need to seek an adverse abandonment or railbanking of the Santa Cruz Branch.
31. At the February 2026 meeting, the Commission voted to terminate the agreement with SPPR's parent company, Progressive, have either the Commission or a non-profit it had formed become the common carrier, and moved forward to consider and proceed with the construction of the Interim Trail, which will remove substantial portions of the track on the Line to facilitate the less-expensive construction of the bike trail.
32. In February of 2026 the Commission voted to terminate the Administration, Coordination and License Agreement ("ACL Agreement") it had with Progressive two years ahead of its expiration date.
33. Termination of the ACL Agreement, which governed the relationship between SPPR and the Commission, triggered a dispute between SPPR (and Progressive) and the Commission that led to negotiations and a settlement, one result of which was the filing of this discontinuance proceeding and the anticipated full acquisition by the Commission of the discontinued segment.
34. After SPPR disputed the Commission's breach of contract claims, the Commission ultimately decided to buy out Progressive's rights and form a non-profit entity that it would take over as carrier on much of the Line, and to enter into a new ACL Agreement with another carrier, Chicago Rock Island & Pacific Railway LLC, to operate the short segment at the beginning of the Line up to milepost 3.0. The Commission has claimed

that the repairs needed to operate beyond milepost 3.0 are extensive and exceed its budget, and so has entered into a settlement agreement with Progressive to discontinue the remainder of the Santa Cruz Branch. It is my understanding that the Commission intends to purchase SPPR's interest in the discontinued portion of the Santa Cruz Branch outright once it is discontinued.

The Impact of Possible Future Abandonment of the Santa Cruz Branch

35. The SCBG used the Santa Cruz Branch to access the interstate rail network when it was operable and would use it for operations today if it could. SCBG has been engaged with customers interested in utilizing its services as soon as the Santa Cruz Branch is returned to operable condition. SCBG also has its own rolling stock on the Felton Branch that it could operate on other portions of the interstate rail network if the Santa Cruz Branch were operational.
36. If any segment of Santa Cruz Branch between Santa Cruz and Watsonville were fully abandoned, the Felton Branch would become a permanently stranded segment, meaning SCBG would no longer be able to access the interstate rail network from the Felton Branch.
37. SCBG has remained committed to supporting the Santa Cruz Branch by working with the various freight operators and the Commission. It has provided locomotive power, assisted with track repairs, bridge repairs, and signal repairs. It contributed technical input on projects, and most recently installed more than 300 ties in support of 12 new railroad crossings associated with a federally funded 7.5-mile trail segment that is adjacent to the tracks. Because of its deep commitment to the freight easement and the community, all of these contributions have been provided at no cost to the freight operators or the Commission.

38. The SCBG is concerned that the Commission's plans will undermine any prospect for the resumption of freight or passenger service on the Line and want to make sure that the STB is aware of this background should any further attempts be made to compromise the rail infrastructure on the Santa Cruz Branch or to abandon service and leave the Felton Branch as a stranded segment.
39. SCBG does not oppose dual rail-with-trail use of the Santa Cruz Branch. However, too often the Commission's actions leading to the systematic withering of freight service on the Santa Cruz Branch have belied promises of a rail-with-trail corridor, to the point that they are no longer credible.

I, Melani Clark, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on July 10, 2026.



Melani Clark
Chief Executive Officer
Santa Cruz, Big Trees & Pacific Railway Company