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SERVICE DATE –JULY 30, 2026

SURFACE TRANSPORTATION BOARD

DECISION

Docket No. AB 1351X

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

Decided: July 30, 2026

On June 15, 2026, St. Paul & Pacific Railroad Company, LLC (SPPR), filed a verified notice of exemption under 49 C.F.R. part 1152, subpart F, to discontinue common carrier freight rail service over approximately 28.39 miles of railroad in Santa Cruz County, Cal., extending between milepost 3.0 west of Watsonville Junction, Cal., and milepost 31.39 at the end of the line in Davenport, Cal. (the Line). About halfway between Watsonville Junction and Davenport, at the City of Santa Cruz, Cal., the Line connects to the Felton Branch Line of the Santa Cruz, Big Trees and Pacific Railway Company (SCBG), a Class III carrier. (Notice, Ex. A; SCBG Comment 1.)

SPPR holds a permanent freight rail easement over the Line and operates it pursuant to an Administration, Coordination, and License Agreement (the ACL) with the Santa Cruz County Regional Transportation Commission (RTC), which owns the physical assets of the Line. See Santa Cruz Cnty. Reg'l Transp. Comm'n—Pet. for Declaratory Ord., FD 36213, slip op. at 1-2 (STB served Oct. 24, 2018). In 2018, the Board found that, under the precedent set forth in Maine, Department of Transportation—Acquisition & Operation Exemption—Maine Central Railroad, 8 I.C.C.2d 835 (1991), RTC would not become a common carrier upon entering into the ACL with SPPR.[1] Santa Cruz Cnty. Reg'l Transp. Comm'n, FD 36213, slip op. at 2-3. The Board's finding that RTC would not become a common carrier rested in part on the Board's finding that the ACL sufficiently limited RTC's ability to interfere in freight rail operations. Id. at 3.

On June 25, 2026, Fred Forstall (Forstall) filed a comment on the verified notice, arguing that use of the exemption process is not appropriate when the Line has been out of service for

[1] The Line is part of the Santa Cruz Line, which runs between milepost 0.433 at Watsonville Junction and milepost 31.39 at Davenport. The freight easement SPRR acquired in 2018 covers the entirety of the Santa Cruz Line. Santa Cruz Cnty. Reg'l Transp. Comm'n, FD 36213, slip op. at 1. Chicago Rock Island & Pacific Railroad, LLC, has sought authority to replace SPPR as the operator over approximately 2.567 miles of the Santa Cruz Line, extending from milepost 0.433 to milepost 3.0. (Notice 2); Chi. Rock Island & Pac. R.R.—Change of Operator Exemption—R.R. Line in Monterey & Santa Cruz Cntys., Cal., FD 36944, slip op. at 1 (STB served July 20, 2026).

years, rendering the lack of local traffic for two years meaningless, and when the Line provides SCBG's only connection to the national rail network. On July 6, 2026, Linda Wilshusen (Wilshusen) filed a petition for stay, or, alternatively, a request that the exemption be denied altogether. Wilshusen argues, among other things, that RTC failed to repair the Line for freight rail purposes and intends to remove the rail to convert the underlying property to a trail. (Wilshusen Comment 7, 14.) On July 7, 2026, James Weller (Weller) filed a comment in opposition to the discontinuance, stating that, pursuant to the separation agreement entered into by SPPR and RTC, SPPR has agreed to transfer its freight easement to a new operator, which Weller claims will be a new subsidiary of RTC. (Weller Comment 1-2.) Weller claims that this transfer is intended to facilitate RTC's plans to create a bike and pedestrian trail. (Id. at 2.) Doug Huskey (Huskey), who filed a comment on July 8, 2026, supports the verified notice, asserting that discontinuance of service over the Line would facilitate efforts to develop a multi-use trail on the underlying property without precluding future rail transportation. (Huskey Comment 1.)

In a comment filed on July 13, 2026, SCBG explains that it does not oppose SPPR's proposed discontinuance of service over the Line but states that discontinuance of service over the Line would facilitate full abandonment of the Line and thereby would permanently sever the Felton Branch Line from the national rail network. (SCBG Comments 1.) According to SCBG, RTC has terminated the ACL with SPPR and plans to assume directly or indirectly, through a non-profit subsidiary, control of the freight rail operating easement that is associated with the Line. (Id. at 6.) SCBG expresses concern that RTC would acquire the freight rail easement merely to abandon it. (Id. at 5-7, 12-13.) According to SCBG, that course of action would misuse the Board's procedures and would undermine the Board's objective of preserving viable rail line. (Id.; id., Ex. A, V.S. Clark 9.)

On July 15, 2026, Barry Scott (Scott) filed a comment expressing concerns regarding the plans for the Line. (Barry Comment 1.) That same day, SPPR responded to the comments filed by Forstall, Wilshusen, Weller, Huskey, SCBG, and Scott. According to SPPR, it has met the criteria for an exemption, and its discontinuance of service over the Line would not remove the Line from the Board's jurisdiction, would not eliminate or terminate the freight rail operating easement that is associated with the Line, and would not authorize the removal of track infrastructure. (See SPPR Reply 2-3, July 15, 2026.) SPPR asserts that the Board's authorization would be required for the easement to be transferred or abandoned. (Id. at 3.) Regarding Wilshusen's stay request, SPPR argues that a stay is not warranted. (Id. at 4.) SPPR notes that Wilshusen's request for stay does not address the stay criteria articulated in Washington Metropolitan Area Transit Commission v. Holiday Tours, Inc., 559 F.2d 841, 843 (D.C. Cir. 1977). (See SPPR Reply 4, July 15, 2026.)

Also on July 15, 2026, Friends of Rail and Trail (FORT) moved to reject SPPR's verified notice or, in the alternative, to stay the effective date of the exemption pending the Board's consideration of the issues that have been raised in this proceeding. According to FORT, RTC has interfered with rail operations despite the ACL, thereby putting its status as a noncarrier in question. (FORT Pet. to Reject 7-11.) FORT asserts that this interference must be addressed before other action (such as discontinuance of service of the Line) may proceed. (Id. at 9.) FORT further asserts that RTC plans to take over the freight rail operating easement without providing for subsequent rail operation and that, therefore, SPPR's verified notice amounts to an abandonment. (Id. at 9-10.) According to FORT, the class exemption procedure is not appropriate for this transaction because it is not a routine, uncomplicated, and noncontroversial matter. (Id. at 11-12.) On July 16, and 17, 2026, respectively, Equity Transit and Erik Hansen each filed comments opposing the proposed discontinuance for reasons similar to previous filers'.

On July 17, 2026, SPPR moved to strike FORT's July 15 pleading. SPPR argues that the pleading is untimely and urges the Board to impose "procedural order" by precluding other pleadings that, according to SPPR, are also untimely. (SPPR Mot. to Strike 2, 5.) Alternatively, in the event the Board accepts FORT's pleading, SPPR argues that FORT's pleading raises extraneous issues concerning removal of track, trail conversion, and transfer of the freight rail operating easement. According to SPPR, those "downstream transactional possibilities" are not before the Board in this proceeding and would need to be presented to the Board in future proceedings before those steps could be implemented. (Id. at 3.) On July 21, 2026, FORT replied to SPPR's motion to strike FORT's pleading, arguing that its filing was timely under Board regulations. (FORT Reply 1-2.)

To allow the Board sufficient time to consider the issues that have been raised in this proceeding, the effective date of the exemption will be postponed until further order of the Board. Wilshusen's and FORT's requests to stay the proceeding will therefore be denied as moot. SPRR's motion to strike and the requests to reject the verified notice or otherwise deny the requested authority will be addressed in a subsequent decision.

It is ordered:

1. The effective date of SPPR's exemption is postponed until further order of the Board.

2. Wilshusen's and FORT's requests to stay the effective date of the exemption are denied as moot.

3. This decision is effective on its date of service.

By the Board, Anika S. Cooper, Chief Counsel, Office of Chief Counsel.