53193 SERVICE DATE – NOVEMBER 25, 2026
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SURFACE TRANSPORTATION BOARD

DECISION

Docket No. AB 1351X

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

Digest:[1] This decision denies requests to reject a verified notice of exemption in which St. Paul & Pacific Railroad Company, LLC, seeks authority to discontinue common carrier freight rail service over approximately 28.39 miles of railroad in Santa Cruz County, Cal.

Decided: November 24, 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). As discussed in more detail below, the Board received numerous comments on SPPR's verified notice of exemption, including requests to reject it. By order served July 30, 2026, the effective date of the exemption was postponed until further order of the Board to allow the Board sufficient time to consider the issues raised. St. Paul & Pac. R.R.—Discontinuance of Service Exemption—in Santa Cruz Cnty., Cal. (July Order), AB 1351X (STB served July 30, 2026). For the reasons discussed below, the Board will deny the requests to reject SPPR's notice of exemption. Additionally, the Board will deny a motion to strike filed by SPPR.

BACKGROUND

SPPR holds a permanent freight rail easement over the Line. SPPR operates the Line 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 but is not a common carrier. (Notice 2-3; Santa Cruz Cnty. Reg'l Transp. Comm'n—Pet.

[1] The digest constitutes no part of the decision of the Board but has been prepared for the convenience of the reader. It may not be cited to or relied upon as precedent. See Pol'y Statement on Plain Language Digs. in Decisions, EP 696 (STB served Sept. 2, 2010).

for Declaratory Ord., FD 36213, slip op. at 2-3 (STB served Oct. 24, 2018).)[2] 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 asserts that its discontinuance of service over the Line qualifies for a class exemption under 49 C.F.R. § 1152.50 because (1) no local traffic has moved over the Line for more than two years prior to the date of SPPR's verified notice; (2) although the Line is stub-ended and hosts no overhead traffic, any such overhead traffic could be rerouted over other lines; and (3) no formal complaint filed by a user of rail service on the Line regarding cessation of service is pending with the Board or a U.S. District Court, nor has a complaint regarding any such service cessation been decided in favor of the complainant within the past two years. (Notice 1-2.)

On June 25, 2026, Fred Forstall filed a comment on the verified notice, arguing that use of the exemption process is not appropriate because the Line has been out of service for years and provides SCBG's only connection to the national rail network. (Forstall Comment 1-2.) On July 6, 2026, Linda 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 in violation of the ACL and that RTC intends to remove the rail to convert the underlying property to a trail rather than a rails-with-trails corridor, as she claims was intended when RTC acquired the Line. (Wilshusen Comment 7, 12-14.) On July 7, 2026, James 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, 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 multiuse trail on the underlying property without precluding future rail transportation. (Huskey Comment 1.) On July 13, 2026, SCBG filed comments stating that it does not oppose SPPR's proposed discontinuance of service over the Line but noting that discontinuance would facilitate full abandonment of the Line, which would permanently sever the Felton Branch Line from the national rail network. (SCBG Comment 1.) On July 15, 2026, Barry Scott filed a comment expressing concerns regarding the plans for the Line. (Scott Comment 1.)

That same day, SPPR responded to the comments filed by Forstall, Wilshusen, Weller, Huskey, SCBG, and Scott. SPPR asserts that it has met the criteria for an exemption and that its verified notice should be accepted on that basis. (SPPR Reply 2, July 15, 2026.) SPPR further asserts that its discontinuance of service 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. (Id. at 3-

[2] RTC acquired the physical assets of the Line, subject to a third-party freight rail operating easement, under the precedent in Maine, Department of Transportation—Acquisition & Operation Exemption—Maine Central Railroad (State of Maine), 8 I.C.C.2d 835 (1991).

4.) SPPR suggests that any future proceeding to transfer or abandon the easement would be the appropriate context in which to consider issues concerning removal of the Line from the national rail network and any associated impact on SCBG's Felton Branch Line. (E.g., id. at 3.)

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 over 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 SPPR's verified notice therefore 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 those expressed by previous filers.

On July 17, 2026, SPPR moved to strike FORT's petition, arguing that FORT missed the 20-day deadline for responses under 49 C.F.R. § 1104.13(a). (SPPR Mot. to Strike 1, July 17, 2026.) 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. (Id. at 2-5.) FORT replied to SPPR's motion on July 21, 2026, arguing that its filing was timely under Board regulations. Among other things, FORT argues that SPPR overlooks 49 C.F.R. § 1121.4(f), which permits petitions to revoke an exemption or notice of exemption to be filed at any time. (FORT Reply to Motion to Strike 1, July 21, 2026.)

By decision served July 30, 2026, the effective date of SPPR's exemption was postponed to allow the Board sufficient time to consider the issues that had been raised in this proceeding. July Order, AB 1351X, slip op. at 3. Because the effective date was postponed, both FORT's and Wilshusen's petitions to stay the proceeding were denied as moot. Id. The order also indicated that a subsequent decision would address the requests to reject SPPR's verified notice as well as SPPR's motion to strike FORT's July 15, 2026 petition. Id.

On August 5, 2026, RTC filed a letter arguing that the proceeding presents only the question of whether SPPR qualifies for the two-year out of service exemption and that the issues of asset ownership and management and future disposition are not currently before the Board.

PRELIMINARY MATTERS

The Board will deny SPPR's motion to strike FORT's petition to reject. Although FORT styled its petition as one to reject the notice, FORT raises essentially the same issues as other commenters that oppose the discontinuance. The Board has already postponed the effective date of SPPR's exemption. Even if the Board were to strike FORT's petition and make the exemption effective, FORT could simply recharacterize and refile its pleading as a petition to

revoke at any time thereafter, which in turn would require the Board to rule a second time on essentially the same issues. See 49 C.F.R. § 1121.4(f). Thus, under the unique circumstances of this case, it would be administratively inefficient to strike FORT's petition.

DISCUSSION AND CONCLUSIONS

The Board has largely exempted from regulation the discontinuance of "out-of-service" rail lines: i.e., lines on which no traffic has originated or terminated for at least two years. 49 C.F.R. § 1152.50(b); see generally 49 U.S.C. § 10502. The Board has found that its prior review and approval of these discontinuances is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101, that these transactions are of limited scope, and that continued regulation is unnecessary to protect shippers from the abuse of market power. 49 C.F.R. § 1152.50(c) (citing 49 U.S.C. § 10502). To qualify for the discontinuance class exemption, the rail carrier must file a verified notice that certifies the following: (1) no local traffic has moved over the line for at least two years, (2) any overhead traffic that exists on the line can be rerouted over other lines, and (3) there are no pending complaints regarding cessation of service over the line or any that has been resolved in the complainant's favor during the prior two years. 49 C.F.R. § 1152.50(b). As the Board's predecessor, the Interstate Commerce Commission, explained: when the criteria in 49 C.F.R. § 1152.50 are met, regulation is not needed to protect shippers from an abuse of market power because the affected line would not have been used by shippers for at least two years. See Exemption of Out of Serv. Lines (Discontinuance of Serv. & Trackage Rts.), 1 I.C.C.2d 55, 57 (1984).

No commenter disputes the veracity of SPPR's certification under 49 C.F.R. § 1152.50(b), and the concerns raised by commenters do not impact whether SPPR qualifies for the discontinuance class exemption. For instance, commenters have raised concerns that RTC has impeded adequate maintenance of the Line. That allegation, however, concerns RTC, not SPPR. As such, it does not here suggest an abuse of market power by SPPR and therefore does not pertain to the basis for the class exemption that applies to SPPR's discontinuance of service. Any claim that RTC has impeded adequate maintenance of the Line and thereby has unduly interfered with rail operations, see Santa Cruz Cnty. Reg'l Transp. Comm'n, FD 36213, slip op. at 2-3, could be raised in an appropriate proceeding.

Commenters also allege that SPPR's proposed discontinuance is part of a larger plan by RTC to turn the Line into a trail and that, following SPPR's discontinuance of service, any subsequent abandonment of the Line would sever the Felton Branch Line from the national rail network.[3] SPPR's discontinuance of service over the Line would end SPPR's obligation to

[3] SCBG refers to "a trackage rights agreement with SPPR that permits it to access the UP line in Watsonville." (SCBG Comment 2.) SPPR states that it "provided certain operating rights (as a matter of mutual operational convenience) to SCBG under a strictly private 'Agreement for Contract Rail Services'" and that "[t]hese rights were never intended to be, nor were they, the subject of Board authorization under 49 U.S.C. § 11323 and corresponding exemption processes." (SPPR Reply 4, July 15, 2026.) It is unclear on what basis the two carriers believe that their agreement is beyond the Board's jurisdiction, but the Board notes that under the

provide common carrier service over the Line but, until the Line is abandoned in accordance with federal law, the Line would remain within the national rail network and, by extension, the Felton Branch Line would not be severed from the network. Should a request for service arise in the future, common carrier service could be resumed over the Line by a duly authorized operator.[4]

The Board will not speculate here on whether any as-yet-undefined subsequent plan to transfer or abandon the Line would be in accordance with federal law. SPPR states that "it has no plans or intention" to terminate the freight rail easement that is associated with the Line. (SPPR Reply 1, July 15, 2026.) As SPPR explained, any future disposition of the easement—including any future transfer of the easement from SPPR to another entity or any future abandonment of the easement, whether by SPPR or a future holder—would require the Board's advance authorization. (Id. at 3.) If the easement is transferred and RTC and the new operator intend to continue operating under the State of Maine precedent, the Board strongly encourages that RTC ask the Board to examine whether any agreement RTC might reach with a new easement holder provides that easement holder "sufficient interest in and control over the Line to carry out its common carrier obligation without undue interference from" RTC. See Santa Cruz Cnty. Reg'l Transp. Comm'n, FD 36213, slip op. at 3; see also State of Maine, 8 I.C.C.2d 835. This is particularly the case if the new easement holder is a subsidiary of RTC.[5] The Board would also expect to consider the impacts of any future transaction on SCBG's ability to access the national rail network. See Elk River R.R.—Aban. Exemption—in Kanawha & Clay Cntys., W. Va., AB 1314X, slip op. at 3-4 (STB served Mar. 25, 2022).

For these reasons, the Board will deny the requests to reject SPPR's verified notice. Notice of SPPR's exemption will be published in the Federal Register and will establish an effective date of the exemption.

It is ordered:

1. The requests to reject SPPR's verified notice of exemption or to deny authority for SPPR to discontinue service over the Line are denied.

2. Notice of the exemption will be published in the Federal Register.

3. SPPR's motion to strike FORT's July 15, 2026 pleading is denied.

Interstate Commerce Act, a rail carrier's acquisition of trackage rights requires the Board's authorization pursuant to 49 U.S.C. § 11323 or an exemption.

[4] The record indicates that the Line has not been used or needed for rail service for many years. Indeed, to qualify for an exemption under 49 C.F.R. § 1152.50, the applicant must certify that there are no pending complaints regarding cessation of service over the line in question or any that have been resolved in the complainant's favor during the prior two years.

[5] Some commenters claim that RTC has created a new subsidiary, Santa Cruz County Coastal Rail (SCCCR), with the intention that SCCCR will become the new operator of the Line. (Weller Comment 1-2; FORT Pet. to Reject 5 & n.9; see also SCBG Comment 6 & n.2.)

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

By the Board, Board Members Fuchs, Hedlund, Kloster, and Schultz.