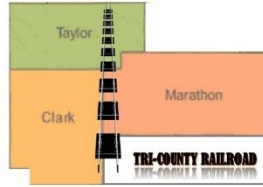


Tri-County Railroad Team

301 N. Main St.
PO Box 236
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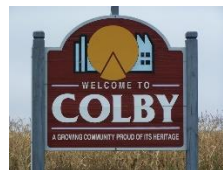
Clark County Economic Development Corporation & Tourism Bureau

301 N. Main St.
PO Box 236
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City of Colby

211 W. Spence St., PO Box 236
Colby, WI 54421



Village of Dorchester

250 Parkside Drive
Dorchester, WI 54425



October 7, 2024

The Honorable Robert E. Primus
Chairman
U.S. Surface Transportation Board
395 E Street SW
Washington, DC 20423-0001

RE: 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 Primus:

The four entities authoring this complaint come to you and the Surface Transportation Board seeking assistance relating to common carrier rail service issues on Fox Valley & Lake Superior Rail System's Spencer to Medford, Wisconsin rail line. This 26.8-mile line was included in the above mentioned transactions involving acquisition of this line by Fox Valley & Lake Superior Rail System, LLC from Wisconsin Central Ltd (Canadian National).

There had been long history of deteriorating rail service under Canadian National's ownership since their acquisition of Wisconsin Central Ltd in 2001. The Spencer-Medford Line had been receiving one-day per week service under CN ownership. When an announcement was made that Watco Holdings, Inc. had reached an agreement to acquire several unconnected rail lines in Wisconsin, Upper Michigan and the Province of Ontario, Canada many rail users and communities along this line felt better days were ahead.

In concert with issues dealing with "First Mile, Last Mile" service problems across the nation it was the feeling of many that service along the Spencer-Medford Rail Line would improve through the new carrier, Fox Valley & Lake Superior Rail System, LLC. However, this has not been the case and we desire to elaborate on this issue which is now approximately two years old.

Those of you at the Surface Transportation Board will remember that these Exemption Filings were held in abeyance for approximately eight months in 2021. Several comments were filed by concerned parties and politicians here in northern Wisconsin. Of note from STB archives/records show reservations about the transaction by Congressman Thomas P. Tiffany who represents the 7th Congressional District of Wisconsin and a Rhinelander, Wisconsin based rail customer Northwoods Distribution Services.

One could question the viability of placing all these disjointed line segments in the hands of a single entity. Given the nature of having so many miles of Out-of-Service (OOS) trackage included in the transaction, how much attention was to be given to these branch lines? Clearly FOXY/Watco has placed their priorities on cluster islands of business such as Green Bay/Fox Valley and Wausau/Tomahawk. In fact, it is understood that carload traffic from the Spencer-Medford Line was moved to a rail-truck transload facility north of

Wausau. Was this a premeditated business strategy when Watco was purchasing these lines from CN?

During that eight-month abeyance period Watco Holdings, Inc. engaged in tremendous efforts to seek support from rail customers, shipper groups, Wisconsin Department of Transportation and communities along the rail lines they were seeking to acquire. Included in the group of parties who ultimately provided letters of support to the STB were rail served customers and municipalities along the Spencer-Medford Rail Line. Promises of improved rail service were made by Watco to all these parties who ultimately provided support correspondence to the STB.

On December 20, 2021 the Exemption Filing was approved by the STB. Those of us on the Spencer-Medford Line felt a new and positive chapter was about to begin as it related to common carrier rail service in our communities. This however was not the case as 2022 would bring about huge disappointment and a sense of betrayal by Watco Holdings, Inc. The promises made by Watco when seeking support for approval of the acquisition rang hollow with the stakeholders along this specific rail line segment.

On August 13, 2022 Fox Valley & Lake Superior Railway System (FOXY) requested Embargo No. FOXY000322 which was effective that same date that prohibited traffic to/from the stations of; Colby, Abbotsford, Dorchester, Medford and Spencer due to track conditions. A second Embargo No. FOXY000422 was filed and effective October 13, 2022. Both embargoes have expired but rail service has never restarted. Further, to date no "Discontinuance of Service" to these stations has ever been filed with the STB.

So, for a two-year period the rail users and communities along our rail line have not had common carrier service. It was everyone's understanding based on Watco's pleas for support during 2021 that service would be equal to or better than what Canadian National had been supplying. As mentioned previously when CN owned the Spencer-Medford Line rail users were receiving at least 1-day per week service! In retrospect, these shippers and communities were better off with CN providing service. We believe the case could be made that FOXY/Watco has violated the agreed intent for which the STB approved CN's acquisition of Wisconsin Central Ltd in 2001 whereby customers on WCL's branch line network would continue to receive service at the same levels as provided by WCL as a stand-alone common carrier.

Note Mr. Tellier's Plan for the WC System When Seeking STB Approval in 2001:

Former Canadian National CEO Paul Tellier's Plan was to preserve the “local characteristics” of the Wisconsin Central System by Canadian National's operation of the WC System as a separate and distinct business unit within Canadian National.

Mr. Tellier's Plan was based on an appreciation of the business culture of his own Class I railroad and his many years of experience with the operations and reputation of the Wisconsin Central System – which he regarded as a model of successful regional/short line railroading.

What was WC's most distinctive “local characteristic”? WC aggressively competed for and built market share and line density in its service territory, competing primarily against truckload motor carriers, for freight not captive to rail. WC actively competed for: (1) a broad range of commodities; (2) rail and truck traffic; and (3) long and short haul freight. And, WC emphasized customer-oriented, first and last mile, retail single car rail and intermodal service.

Over this two-year period several rail served customers and the Clark County Economic Development Corporation (CCEDC) have attempted to work with FOXY/Watco management in efforts to restart rail service over the Spencer-Medford Rail Line. The most recent push by CCEDC involved a letter of interest which was sent to FOXY/Watco management on February 12, 2024. This correspondence inquired as to the potential to acquire or lease the Spencer-Medford Line.

CCEDC has even engaged the assistance of the STB's Office of Public Assistance, Governmental Affairs, Compliance & Rail Customer and Public Assistance Program. Ms. Sheila Nyberg, Executive Director of the CCEDC has had several Zoom calls with this STB Office and FOXY/Watco personnel in an attempt to advance a potential sale or lease of the rail line. Non-Disclosure Agreements have been signed but Watco has not been forthcoming with any traffic data or information regarding this rail line so as to advance to meaningful discussions about a potential change in ownership. CCEDC has an interested short line railroad entity to potentially operate the line.

We believe FOXY/Watco is acting in bad faith and not serving the public's best interest relative to the stakeholders associated with the Spencer-Medford Rail Line. The absence of common carrier rail service has caused hardship to rail users along the railroad in the form of increased supply chain/transportation costs. Communities have been unable to attract new industry who would require rail service to potentially relocate along the rail line.

Given the uncooperative posture that Watco is taking relative to restoration of rail service, our communities and rail users located along the Spencer-Medford Rail Line feel it is in their best interest to work towards a new ownership model for the line. We envision a public/private business model which would ensure our local interests come first.

A new business model/ownership structure would allow our shippers and communities to not be dictated to by a company based in Pittsburg, Kansas who has demonstrated that it has more important priorities than to restore service along the Spencer-Medford branch line. Watco's priority on other FOXY line segments plus their Wisconsin & Southern system in southern Wisconsin detracts from any efforts to reestablish service on the Medford branch line.

Clearly, when Watco acquired the numerous disjointed rail lines in Wisconsin and Upper Michigan from Canadian National their actions have shown that they constructed a business plan which did not include service along this piece of railroad. Their actions have been quite detrimental to an area of rural Wisconsin that has suffered enough with very spotty common carrier rail service.

We would appreciate a review of this exemption approval by the STB as clearly Watco's FOXY subsidiary has not met the public interest. We need Watco to negotiate in good faith so as to advance the scenario of placing the Spencer-Medford Rail Line into a new ownership model. Our communities can no longer suffer with the situation Watco has put us in.

Sincerely,

A handwritten signature in black ink that reads "Sheila M. Nyberg". The signature is written in a cursive style with a horizontal line underneath the name.

Sheila Nyberg
Executive Director
Clark County Economic Development & Tourism Bureau

CC: Senator Tammy Baldwin
Congressman Thomas Tiffany
Governor Tony Evers
Parties of Record