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SERVICE DATE – OCTOBER 3, 2008

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 35174]

Watco Companies, Inc.—Continuance in Control Exemption—Pacific Sun Railroad,
L.L.C.

Watco Companies, Inc. (Watco), a noncarrier, has filed a verified notice of exemption to continue in control of Pacific Sun Railroad, L.L.C. (PSRR), upon PSRR's becoming a Class III rail carrier.¹

This transaction is related to a concurrently filed verified notice of exemption in STB Finance Docket No. 35173, Pacific Sun Railroad, L.L.C.—Lease and Operation Exemption—BNSF Railway Company. In that proceeding, PSRR seeks an exemption under 49 CFR 1150.31 to lease from BNSF Railway Company (BNSF) and to operate approximately 21.5 miles of rail line and rail freight easement between specified points in California. In addition, PSRR will receive incidental trackage rights from BNSF to provide local service over an approximately 45.49-mile reserved rail freight service easement in California.

The parties intend to consummate the transaction on or about October 24, 2008, and hence after the October 17, 2008 effective date of the exemption.

¹ Watco owns 100% of the issued and outstanding stock of PSRR.

Watco currently controls 18 Class III rail carriers: South Kansas and Oklahoma Railroad Company, Palouse River & Coulee City Railroad, Inc., Timber Rock Railroad, Inc., Stillwater Central Railroad, Inc., Eastern Idaho Railroad, Inc., Kansas & Oklahoma Railroad, Inc., Pennsylvania Southwestern Railroad, Inc., Great Northwest Railroad, Inc., Kaw River Railroad, Inc., Mission Mountain Railroad, Inc., Mississippi Southern Railroad, Inc., Yellowstone Valley Railroad, Inc., Louisiana Southern Railroad, Inc., Arkansas Southern Railroad, Inc., Alabama Southern Railroad, Inc., Vicksburg Southern Railroad, Inc, Austin Western Railroad, Inc, and Baton Rouge Southern Railroad, LLC.

Watco represents that: (1) the rail lines to be operated by PSRR do not connect with any other railroads in the Watco corporate family; (2) the continuance in control is not part of a series of anticipated transactions that would connect these rail lines with any other railroad in the Watco corporate family; and (3) the transaction does not involve a Class I rail carrier. Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. 11323. See 49 CFR 1180.2(d)(2).

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Section 11326(c), however, does not provide for labor protection for transactions under sections 11324 and 11325 that involve only Class III rail carriers. Accordingly, the Board may not impose labor protective conditions here, because all of the carriers involved are Class III carriers.

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed

at any time. The filing of a petition to revoke will not automatically stay the effectiveness of the exemption. Stay petitions must be filed no later than October 10, 2008 (at least 7 days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 35174, must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, one copy of each pleading must be served on Karl Morell, Of Counsel, Ball Janik, LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005.

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Decided: September 26, 2008.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Anne K. Quinlan

Acting Secretary