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SERVICE DATE - APRIL 21, 2005

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34683]

Watco Companies, Inc.–Continuance in Control Exemption–Mississippi Southern Railroad, Inc.

Watco Companies, Inc. (Watco), has filed a verified notice of exemption to continue in control of the Mississippi Southern Railroad, Inc. (MSRR), upon MSRR's becoming a Class III rail carrier.<sup>1</sup>

The transaction was scheduled to be consummated on or shortly after April 5, 2005.

This transaction is related to the concurrently filed verified notice of exemption in STB Finance Docket No. 34684, Mississippi Southern Railroad, Inc.–Lease and Operation Exemption–The Kansas City Southern Railway Company. In that proceeding, MSRR seeks to acquire by lease from The Kansas City Southern Railway Company and operate approximately 26.5 miles of rail line extending between milepost 133.0, near Bay Springs, MS, and milepost 159.5, near Newton, MS.

Watco, a Kansas corporation, is a noncarrier that currently controls 11 Class III rail carriers: South Kansas and Oklahoma Railroad Company (SKO), Palouse River & Coulee City Railroad, Inc. (PRCC), Timber Rock Railroad, Inc. (TIBR), Stillwater

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<sup>1</sup> Watco owns 100% of the issued and outstanding stock of MSRR.

Central Railroad (SLWC), Eastern Idaho Railroad, Inc. (EIRR), Kansas & Oklahoma Railroad, Inc. (K&O), Pennsylvania Southwestern Railroad, Inc. (PSWR), Great Northwest Railroad, Inc. (GNR), Kaw River Railroad, Inc. (KRR), Mission Mountain Railroad, Inc. (MMT), and Appalachian & Ohio Railroad, Inc. (AO).

Applicant states that: (1) the rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, and AO do not connect with the rail line being leased by MSRR; (2) the continuance in control is not part of a series of anticipated transactions that would connect the rail line being acquired by MSRR with any railroad in the Watco corporate family; and (3) neither MSRR nor any of the carriers controlled by Watco are Class I carriers. Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. 11323. See 49 CFR 1180.2(d)(2). The purpose of the transaction is to reduce overhead expenses, coordinate billing, maintenance, mechanical and personnel policies and practices of applicant's rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the 12 railroads.

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 transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34683, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Karl Morell, Of Counsel, Ball Janik LLP, 1455 F Street, N.W., Suite 225, Washington, DC 20005.

Board decisions and notices are available on our website at  
“[WWW.STB.DOT.GOV](http://WWW.STB.DOT.GOV).”

Decided: April 13, 2005.

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

Vernon A. Williams

Secretary