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SERVICE DATE – SEPTEMBER 14, 2007

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 35075]

Watco Companies, Inc., and Watco Transportation Services, Inc.—Continuance in Control Exemption—Austin Western Railroad, Inc.

Watco Companies, Inc. (Watco Companies) and its wholly owned subsidiary, Watco Transportation Services, Inc. (Watco Transportation) (collectively, Watco), both noncarriers, jointly have filed a verified notice of exemption to continue in control of Austin Western Railroad, Inc. (AWRR), upon AWRR'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. 35072, Austin Western Railroad, Inc.—Operation Exemption—Capital Metropolitan Transportation Authority. In that proceeding, AWRR seeks an exemption under 49 CFR 1150.31 to operate 164.83 miles of rail line owned by Capital Metropolitan Transportation Authority between specified points in Texas.

The parties intend to consummate the transaction on or shortly after October 1, 2007.

Watco currently controls 16 Class III rail carriers: South Kansas and Oklahoma Railroad Company, Palouse River & Coulee City Railroad, Inc., Timber Rock Railroad,

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

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., and Vicksburg Southern Railroad, Inc.²

Watco represents that: (1) the rail lines to be operated by AWRR 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

² In Watco Companies, Inc., and Watco Transportation Services, Inc.—Continuance in Control Exemption—Michigan Central Railway, LLC, STB Finance Docket No. 35064, (STB served July 27, 2007), Watco was authorized to continue in control of Michigan Central Railway, LLC (Michigan Central), once Michigan Central becomes a Class III rail carrier. The effectiveness of the exemption was delayed by decision served August 8, 2007, to coincide with the effectiveness of any exemption that is granted by the Board in the related line acquisition proceeding in Michigan Central Railway, LLC—Acquisition and Operation Exemption—Lines of Norfolk Southern Railway Company, STB Finance Docket No. 35063, petition filed on July 13, 2007.

Board may not impose labor protective conditions here because all of the carriers involved are Class III carriers.³

If the 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 September 21, 2007 (at least 7 days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 35075, 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 6, 2007.

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

Vernon A. Williams

Secretary

³ Watco notes that it will consummate this transaction before it consummates the transaction in STB Finance Docket No. 35064.