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SERVICE DATE - OCTOBER 10, 2000

DO

FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 33941]

Pioneer Railcorp and Michigan Southern Railroad Company—Corporate Family

Transaction Exemption

Pioneer Railcorp (Pioneer) and Michigan Southern Railroad Company (MSO) have filed a verified notice of exemption.¹ MSO owns 100% of the stock of Michigan Southern Railroad Co., Inc. (MSRR), a nonoperating Class III shortline railroad, which owns a property interest in three segments of railroad currently leased and operated by MSO. The three segments of railroad are described as follows: (1) between milepost 0.0, at Elkhart, IN, and milepost 9.8, at Mishiwaka, IN (Elkhart Segment); (2) between milepost 119.0 and milepost 120.1, at Kendallville, IN (Kendallville Segment); and (3) between milepost 382.5, at or near Coldwater, MI, and milepost 421.2, at or near White Pigeon, MI (Michigan Segment).²

The exempt transaction involves the reorganization of the MSO railroad holdings and the creation of two new subsidiaries of MSO: Elkhart & Western Railroad, Co.

¹ Pioneer is a publicly traded shortline railroad holding company and noncarrier that controls 13 Class III shortline railroads, including MSO.

² Pioneer and MSO state that MSRR owns part of the Michigan Segment and that MSRR (despite its description as a “nonoperating” railroad) “operates” the balance of the Michigan Segment under an agreement with a shipper association. According to the verified notice of exemption, the ownership of part or all of the Michigan Segment is presently in dispute.

(E&WR) and Kendallville Terminal Railway Co. (KTR). MSO will assign its operating leases of the Elkhart Segment to E&WR³ and of the Kendallville Segment to KTR. MSO will continue to operate the Michigan Segment.⁴ MSRR will continue to own the three segments of railroad.

The transaction is expected to be consummated on September 29, 2000.

This is a transaction within a corporate family of the type specifically exempted from prior review and approval under 49 CFR 1180.2(d)(3). The parties state that the transaction will not result in adverse changes in service levels, significant operational changes, or changes in the competitive balance with carriers outside the corporate family.

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. Because this transaction involves Class III rail carriers only, the Board, under the statute, may not impose labor protective conditions for this transaction.

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to reopen the proceeding to revoke the exemption under 49

³ MSO has a haulage agreement with Norfolk Southern Railway Company (NS) from Elkhart to Fort Wayne, IN, which permits MSO to market Fort Wayne as a station on MSO's line. Upon consummation of this transaction, Fort Wayne will become a station of E&WR.

⁴ MSO also has a haulage agreement with NS from White Pigeon to Fort Wayne, which permits MSO to market Fort Wayne as a station on MSO's line. Upon consummation of this transaction, Fort Wayne will continue to be a station of MSO.

U.S.C. 10502(d) may be filed at any time. The filing of a petition to reopen will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 33941, must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on John D. Heffner, Esq., REA, CROSS & AUCHINCLOSS, 1707 L Street, N.W., Suite 570, Washington, DC 20036.

Board decisions and notices are available on our website at “WWW.STB.DOT.GOV.”

Decided: September 29, 2000.

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

Vernon A. Williams

Secretary