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SERVICE DATE – OCTOBER 26, 2005

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FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34761]

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

Watco Companies, Inc. (Watco), has filed a verified notice of exemption to continue in control of Arkansas Southern Railroad, Inc. (ARSR), upon ARSR's becoming a Class III rail carrier.¹

The transaction was expected to be consummated on or shortly after October 9, 2005.

This transaction is related to a concurrently filed verified notice of exemption in STB Finance Docket No. 34760, Arkansas Southern Railroad, Inc.–Lease Exemption–The Kansas City Southern Railway Company. In that proceeding, ARSR seeks to acquire by lease from The Kansas City Southern Railway Company and operate approximately 61 miles of rail lines in Arkansas and Oklahoma extending from: (1) milepost 4.0, near Heavener, OK, to milepost 33.0, at the end of the track at Waldron, AR; and (2) milepost 32.0, at Ashdown, AR, to milepost 0.0, at the end of the track near Nashville, AR, not including the 601 track switch at Ashdown, AR.

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

Watco, a Kansas corporation, is a noncarrier that currently controls 14 Class III rail carriers: South Kansas and Oklahoma Railroad Company (SKO), Palouse River & Coulee City Railroad, Inc. (PRCC), Timber Rock Railroad, Inc. (TIBR), Stillwater Central Railroad, Inc. (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), Appalachian & Ohio Railroad, Inc. (AO), Mississippi Southern Railroad, Inc. (MSRR), Yellowstone Valley Railroad, Inc. (YVRR), and Louisiana Southern Railroad, Inc. (LSRR).²

Applicant states that: (1) the rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, AO, MSRR, YVRR, and LSRR do not connect with the rail lines being leased by ARSR; (2) the continuance in control is not part of a series of anticipated transactions that would connect the rail lines being leased by ARSR with any railroad in the Watco corporate family; and (3) neither ARSR nor any of the carriers controlled by Watco are Class I rail 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,

² SKO's lines are located in Missouri, Kansas, and Oklahoma; PRCC's lines are located in Washington, Oregon, and Idaho; TIBR's lines are located in Texas and Louisiana; SLWC's lines are located in Oklahoma; EIRR's lines are located in Idaho; K&O's lines are located in Kansas and Colorado; PSWR's line is located in Pennsylvania; GNR's lines are located in Idaho and Washington; KRR's lines are located in Kansas and Missouri; MMT's lines are located in Montana; AO's lines are located in West Virginia; MSRR's line is located in Mississippi; YVRR's lines are located in Montana; and LSRR's lines are located in Louisiana.

maintenance, mechanical and personnel policies and practices of applicant's rail carrier subsidiaries, thereby improving the overall efficiency of rail service provided by the 15 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. 34761, 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.

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Decided: October 21, 2005.

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

Vernon A. Williams

Secretary