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Congress of the United States
House of Representatives
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COMMITTEE ON ARMED SERVICES
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ENTERED
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Public Record

Honorable Daniel R. Elliot III
Chairman
Surface Transportation Board
395 E Street SW
Washington, D.C. 20423-0001

Dear Chairman Elliot,

I am writing to urge the Surface Transportation Board to carefully review the above-referenced transaction which seeks to convey Patriot Rail's 13 short-line railroads, including the Sacramento Valley Railroad, to a new non-rail owner, SteelRiver Infrastructure Partners LP, under an expedited exempted transaction process. I do not believe this transaction is entitled to expedited treatment because, unlike a garden-variety transaction, it involves claims by Sierra Railroad Company and Sierra Northern Railway that the transaction represents the culmination of a pattern of anticompetitive behavior by Patriot Rail, behavior that seems likely not only to jeopardize Sierra's financial well-being but also to disrupt efficient regional and interstate rail transportation.

Some background may be helpful. Sierra is the oldest privately-owned railroad in California. Sierra conducted the McClellan rail operation from early 2001 until early 2008, building the operation from nothing into a substantial operation that constituted almost 45% of Sierra's business. Sierra in early 2007 discussed selling its railroad operations to Patriot Rail. Sierra has alleged in a pending lawsuit against Patriot Rail that Patriot Rail wrongly used confidential information obtained in those discussions to take Sierra's McClellan operation for itself, reorganizing that operation as the Sacramento Valley Railroad and not only causing Sierra severe financial harm but also disrupting regional and interstate rail transportation by preventing synergies between McClellan's rail facility and other facilities still served by Sierra, including the Port of West Sacramento.

Sierra's claims against Patriot Rail are scheduled for trial in February 2013 and I understand that Sierra is seeking a judgment against Patriot Rail that could amount to as much as \$100 million. I also understand that Sierra is seeking ownership of some or all of Patriot Rail's assets included in the above-referenced transaction. I am concerned that expedited Board approval of Patriot Rail's proposed sale to SteelRiver might allow Patriot Rail to argue at the last minute that the trial court lacks the authority needed to ensure that justice is done in the litigation in Sacramento that has been pending between the parties for almost three years. Such an outcome so close to trial would be both unfair and economically harmful to Sierra. Such an outcome could also undermine local

political and business efforts at increasing transportation efficiencies within, and to and from, the Sacramento region by perpetuating the separation of railroad operations at the Port of West Sacramento and McClellan Business Park.

Given the unusual circumstances at issue, and especially given that the Board has proactively intervened in the Sacramento litigation and convinced the trial court to cede jurisdiction over the proposed-transaction to the Board, I believe that a full public interest inquiry by the Board into the proposed transaction is called for. I do not believe the Board currently has a sufficient basis to say that Patriot Rail's proposed sale to SteelRiver serves the public interest or benefits regional and interstate commerce, especially since the Board has not been presented with most of the evidence produced in the Sacramento litigation relevant to the proposed transaction. A closer review may reveal that the public would be best served by prohibiting the proposed sale, or, at the very least, by delaying the sale until after a judgment in the pending Sacramento litigation. I thus urge the Board to conduct a more careful and detailed examination of the proposed transaction than is possible under the exempted transaction procedures in order to determine whether the transaction actually comports with the public interest, with regional transportation needs, and with national rail transportation policy.

Sincerely,



John Garamendi (CA-10)
Member of Congress

cc: Vice Chairman Francis P. Mulvey
Board Member Ann D. Begeman
SteelRiver Infrastructure Partners