



SURFACE TRANSPORTATION BOARD

[Docket No. FD 36843]

Watco Holdings, Inc.—Acquisition of Control Exemption—Great Lakes Central Railroad, Inc.

On March 6, 2025, Watco Holdings, Inc. (Watco), a noncarrier holding company, filed a petition under 49 U.S.C. 10502, seeking an exemption from the prior approval requirements of 49 U.S.C. 11323 to acquire control of Great Lakes Central Railroad, Inc. (GLC), a Class III rail carrier, by acquiring 100% of GLC’s common stock. After finding the original petition deficient, the Board on May 30, 2025, directed Watco to supplement its petition with additional information needed to determine whether the transaction qualifies for an exemption under 49 U.S.C. 10502(a). Watco Holdings, Inc.—Acquis. of Control Exemption—Great Lakes Cent. R.R. (May 2025 Decision), FD 36843 (STB served May 30, 2025). Watco filed a supplement containing the requested information and material on June 20, 2025. The Board will grant Watco’s petition for exemption, subject to standard labor protective conditions.

BACKGROUND

Watco currently controls one Class II rail carrier and 43 Class III rail carriers across the United States.¹ (Pet. 2.) GLC is a Class III rail carrier currently owned by Federated Capital Acquisitions, Inc. (FCA), a subsidiary of Federated Capital Holdings, LLC (FCH), and operates approximately 379.2 miles of line located entirely within the State of Michigan. (Pet. 1; Suppl. 3.) According to Watco, the state owns about 350 miles of GLC’s lines, and GLC operates over these lines via modified certificates of

¹ A full list of railroads currently controlled by Watco is appended to the petition as Exhibit C.

public convenience and necessity.² (Id.) Watco states that approximately 33.18 miles of GLC's network are currently inactive due to a lack of traffic demand. (Id. at 4.)

Pursuant to a purchase agreement, Watco has agreed to acquire all GLC common stock from FCA. (Pet. 1; Suppl. 1.) Upon consummation of the transaction, Watco would control GLC, which connects with the Watco-owned Ann Arbor Railroad (AA) near Ann Arbor, Mich.³ (Pet. 3.) Watco asserts that although AA's lines connect with GLC, this transaction will not result in reduced options for shippers because GLC and AA do not serve any facilities in common, (id.), nor are GLC and AA competitors for traffic in the greater Ann Arbor area, (Suppl. 7-8). Watco additionally states that it will not use the connection between AA and GLC to foreclose efficient, existing GLC joint line routes with unaffiliated carriers, and that it expects the Board to hold it to this representation. (Id. at 12.) Watco further notes that AA's interchange commitment with Norfolk Southern Railway Company (NS) in Toledo, Ohio, will not incentivize Watco to direct GLC traffic to NS instead of other carriers. (Id.)

In support of its petition, Watco states that it is committed to implementing service improvements on GLC and modernizing GLC's infrastructure following the transaction. (Id. at 9, 20-21.) Watco asserts that the transaction will not reduce the competitive options for shippers, as the transaction will not allow it to engage in anticompetitive behavior such as closing gateways or forcing shippers onto more inefficient routes. (Id. at 10-12.) Rather, according to Watco, shippers will benefit from greater service efficiencies resulting from the acquisition. (Pet. 7.) Watco further notes that prompt and favorable action on its petition is essential for Watco to invest capital and

² GLC acquired the modified certificates under its prior name, Tuscola and Saginaw Bay Railway Company, Inc. (Pet. 3.) FCH changed the railroad's name to GLC in 2006. (Id.)

³ Watco explains that the transaction does not qualify for the class exemption under 49 CFR 1180.2(d)(2) for this reason.

implement service improvements and expansion and therefore requests that the Board handle the petition expeditiously. (Suppl. 22.) A letter from the Michigan Department of Transportation in support of the transaction is attached to the petition. (See Pet., Ex. B.) No other comments on the proposed transaction were filed.

DISCUSSION AND CONCLUSIONS

The acquisition of control of a rail carrier by a person that is not a rail carrier but that controls any number of rail carriers requires prior approval from the Board under 49 U.S.C. 11323(a)(5). Under 49 U.S.C. 10502(a), however, the Board shall, to the maximum extent consistent with 49 U.S.C. subtitle IV, part A, exempt a transaction or service from regulation when it finds that: (1) the regulation is not necessary to carry out the rail transportation policy (RTP) under 49 U.S.C. 10101; and (2) either (a) the transaction or service is of limited scope, or (b) regulation is not needed to protect shippers from the abuse of market power.

An exemption from the prior approval requirements of 49 U.S.C. 11323-25 in this case is consistent with the standards of 49 U.S.C. 10502. Detailed scrutiny of the proposed transaction through an application for review and approval under sections 49 U.S.C. 11323-25 is not necessary to carry out the RTP. Permitting Watco to acquire control of GLC without having to file an application would promote the RTP by minimizing the need for federal regulatory control over the proposed transaction, 49 U.S.C. 10101(2); reducing regulatory barriers to entry into and exit from the industry, 49 U.S.C. 10101(7); and providing for the expeditious resolution of this proceeding, 49 U.S.C. 10101(15). Additionally, Watco explains that its acquisition of control of GLC will create streamlined routing efficiencies between GLC and AA, allow GLC to gain access to Watco's experienced marketing team, and allow Watco to invest approximately \$3.7 million in GLC's network. (Supp. 20.) Accordingly, granting the exemption would also ensure the development and continuation of a sound rail transportation system that

would continue to meet the needs of the public, 49 U.S.C. 10101(4); foster sound economic conditions in transportation, 49 U.S.C. 10101(5); and encourage efficient management, 49 U.S.C. 10101(9). Lastly, as discussed below and subject to the representation condition imposed in this decision, the Board finds that there will be no significant impacts on competition as a result of the transaction. Accordingly, other aspects of the RTP would not be adversely affected.

Regulation of the proposed transaction is not necessary to protect shippers from an abuse of market power.⁴ Although GLC already connects with AA, a Watco-owned carrier, Watco maintains that there would not be a reduction in options for shippers resulting from the acquisition. (Pet. 3.) The May 2025 Decision raised a concern that the connection between GLC and AA would give Watco an incentive to redirect traffic currently moving to gateways with other competing carriers. May 2025 Decision, FD 36843, slip op. at 1-2 (noting that GLC connects to five rail carriers in addition to AA). In its supplement, however, Watco states that it “commits to keeping all currently-active GLC and AA gateways open on commercially competitive terms commensurate with future traffic volumes, shipper demand, and subject to the cooperation of third-party interline partners in facilitating traffic movements via such existing gateways.” (Suppl. 12.) As it has in other transactions, the Board will impose a condition holding Watco to this representation.⁵ The May 2025 Decision also noted that the existing interchange commitment between AA and NS at Toledo might give Watco even greater incentive to direct GLC to route traffic to NS via AA. May 2025 Decision, FD 36843, slip op. at 2. In addition to addressing this concern by its gateway commitment, Watco satisfactorily explains in its supplement why the terms and application of the interchange

⁴ Given this finding, the Board need not determine whether the transaction is limited in scope. See 49 U.S.C. 10502(a).

⁵ For clarity, the Board has made minor adjustments to the language of this representation in the ordering paragraph below.

commitment between AA and NS will not in fact incentivize anticompetitive or inefficient practices.⁶ Finally, there have been no objections to the proposed transaction, and the State of Michigan has written a letter in support of the acquisition. (See Pet., Ex. B.) Based on the record, including the additional information provided by Watco in its supplement, the Board finds that the transaction meets the requirements for an exemption under 49 U.S.C. 10502.

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. Because the transaction involves one Class II and one or more Class III rail carriers, the exemption will be made subject to the labor protection requirements of 49 U.S.C. 11326(b) and Wisconsin Central Ltd.—Acquisition Exemption—Lines of Union Pacific Railroad, 2 S.T.B. 218 (1997).

The acquisition of control is exempt from environmental reporting requirements under 49 CFR 1105.6(c)(1) because it will not result in significant changes in carrier operations. Similarly, under 49 CFR 1105.8(b)(3), no historic reporting is required because the proposed transaction will not substantially change the level of operations or maintenance of railroad properties.

It is ordered:

1. Under 49 U.S.C. 10502, the Board exempts the above transaction from the prior approval requirements of 49 U.S.C. 11323-25, subject to the employee protective conditions in Wisconsin Central Ltd.—Acquisition Exemption—Lines of Union Pacific Railroad, 2 S.T.B. 218 (1997), and the condition below.

⁶ Most of Watco's explanation is based on confidential terms of the interchange commitment between AA and NS, which are designated as highly confidential. The Board has described its rationale in general terms above.

2. Watco must adhere to its representation that it will keep all currently active GLC and AA gateways open on commercially competitive terms commensurate with future traffic volumes and shipper demand and subject to the cooperation of third-party interline partners in facilitating traffic movements via such existing gateways.

3. Notice of this exemption will be published in the Federal Register.

4. The exemption will become effective on September 28, 2025. Petitions for stay must be filed by September 8, 2025. Petitions to reopen must be filed by September 18, 2025.

Decided: August 29, 2025.

By the Board, Board Members Fuchs, Hedlund, and Schultz.

Brendetta Jones,

Clearance Clerk.

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