

220372

BALL JANIK LLP
ATTORNEYS

1455 F STREET, NW, SUITE 225
WASHINGTON, D.C. 20005

www.balljanik.com

TELEPHONE 202 638 3307
FACSIMILE 202 783 6947

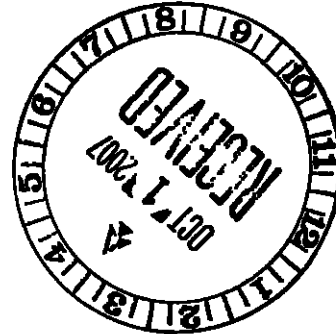
KARL MORELL

kmorrell@dc.bjllp.com

October 1, 2007

BY HAND DELIVERY

The Honorable Vernon Williams
Secretary
Surface Transportation Board
395 E Street S.W.
Washington, DC 20423



Re: STB Finance Docket No. 35063, Michigan Central Railway, LLC --
Acquisition and Operation Exemption -- Lines of Norfolk Southern
Railway Company

Dear Secretary Williams:

Attached for filing are the original and ten copies of Michigan Central
Railway, LLC's Reply Comments in Support of Petition for Exemption.

Please time and date stamp the extra copy of the Reply and return it with
our messenger

If you have any questions, please contact me.

Sincerely yours,

A handwritten signature in cursive script that reads 'Karl Morell'.

Karl Morell

Enclosures

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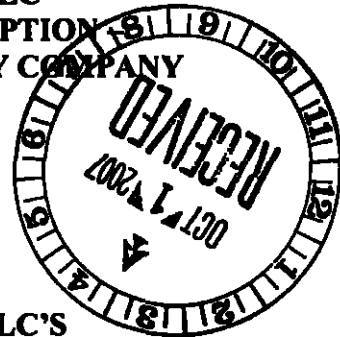
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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 35063

**MICHIGAN CENTRAL RAILWAY, LLC –
ACQUISITION AND OPERATION EXEMPTION
LINES OF NORFOLK SOUTHERN RAILWAY COMPANY**

**MICHIGAN CENTRAL RAILWAY, LLC'S
REPLY COMMENTS IN SUPPORT
OF PETITION FOR EXEMPTION**



**KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307**

**Attorney for
Michigan Central Railway, LLC**

Dated: October 1, 2007

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ACQUISITION AND OPERATION EXEMPTION –
LINES OF NORFOLK SOUTHERN RAILWAY COMPANY**

**MICHIGAN CENTRAL RAILWAY, LLC’S
REPLY COMMENTS IN SUPPORT
OF PETITION FOR EXEMPTION**

Michigan Central Railway, LLC (“Michigan Central”), submits these Reply Comments in support of its Petition for Exemption (filed July 13, 2007), seeking exemption under 49 U.S.C. § 10502 of its proposed acquisition and operation of certain rail lines now owned and operated by Norfolk Southern Railway Company (“NSR”) in Michigan and Indiana.

INTRODUCTION AND SUMMARY

On July 13, 2007, Michigan Central filed a petition for exemption to acquire and operate 299 miles of NSR rail lines and 85.5 miles of trackage rights and other incidental trackage rights, in Indiana and Michigan with the Surface Transportation Board (“STB” or “Board”). In the proposed acquisition, NSR will contribute these rail lines, trackage rights, and related assets to Michigan Central in exchange for a non-controlling 33 percent membership interest in Michigan Central. Watco Transportation Services, Inc. (“Watco”) will contribute \$18 million to Michigan Central in cash and locomotives in exchange for a controlling 67 percent membership interest. Michigan Central will be an independent interline settlement agreement common carrier railroad. It will operate and maintain its rail assets and railroad equipment with its own employees and management. It will benefit from an infusion of capital and a

management and sales force focused on the Michigan rail lines and the local customers those lines support.

In order to permit all interested parties an opportunity to review and comment on the proposed transaction, Michigan Central sought revocation of the applicable class exemption and submitted the entire panoply of agreements relating to the proposed transaction, regardless of whether those agreements would ordinarily be required to be submitted for regulatory review. Michigan Central has been an open book, meeting with customers, legislators, short lines, and Amtrak and other rail passenger interests.

Since then, a number of interested parties have submitted comments to the Board. Many focus on concerns relating to Michigan Central's ability to maintain the lines sufficiently to permit continued high speed passenger rail service on this important Amtrak corridor. Michigan Central proactively addressed these underlying concerns with a landmark agreement resulting in Amtrak's support of the transaction, which support is echoed by the Governor of Michigan and others. This agreement provides concrete, enforceable assurances as to the condition of the Amtrak route over Michigan Central.

Michigan Central has more than met its burden for the granting of its requested Petition for Exemption. The record evidence demonstrates that Michigan Central has the financial resources needed to operate and maintain the rail lines at issue safely and efficiently. The proposed transaction will facilitate additional investment in these rail lines, improving service to shippers. Michigan Central's binding financial commitments to Amtrak guarantee that these investments will occur on schedule. The support of Amtrak, the State of Michigan and others – short lines, customers, and business associations – for the proposed transaction demonstrates a broad base of support and confidence in Michigan Central's ability and

willingness to maintain and operate the rail lines at issue in freight service, and to allow for continued and expanded high-speed passenger rail service.

Michigan Central's Petition for Exemption (at 22-25) demonstrated that the proposed transaction satisfies the criteria for exemption under 49 U.S.C. § 10502. Specifically, regulation of the proposed transaction is not necessary to carry out the transportation policy of § 10101; nor is regulation needed to protect shippers from the abuse of market power. *Id.* at 23-24. No shipper will suffer a loss of competitive rail service, and there will be no reduction in the number of rail carriers serving any shipper or any interchange point, as a result of the proposed transaction. Accordingly, there is no basis in fact for any claim that competitive harm will result from the proposed transaction.¹

Rather, the proposed transaction is the very type of pro-competitive transaction that the Board and its predecessor, the Interstate Commerce Commission ("ICC"), have repeatedly endorsed and affirmed. As the ICC noted:

[I]t has been our experience with transactions of this type that the acquiring firm will bring new vitality to the line. Typically, the new operator has closer ties to local communities and will provide better service, often at lower rates, and will work closely with shippers on the line.

Finance Docket No. 31089, *Montana Rail Link, Inc. – Exemption Acquisition and Operation – Certain Lines of Burlington Northern R.Co* (served May 26, 1988), slip op. at 21.²

¹ In reviewing an exemption petition under Section 10502, the Board does not undertake a broader analysis than it would apply to the transaction in the absence of an exemption. *Village of Palestine v. I.C.C.*, 936 F.2d 1335 (D.C. Cir. 1991). Under Section 10901, the Board is required to grant an application unless it finds the proposed transaction to be inconsistent with the public convenience and necessity. No party to this proceeding has made such a showing.

² See also *Class Exemption for Acq. & Op. of Rail Lines*, 1 I.C.C.2d 810, 813 (1985), *aff'd sub nom. Illinois Commerce Comm'n v. ICC*, 817 F.2d 145 (D.C. Cir. 1987) ("Transfer of a line to a new carrier that can operate the line more economically or more effectively than the existing carrier serves shipper and community interests by continuing rail service.... [S]hortlines are

The comments submitted by interested parties in this proceeding confirm that the proposed transaction should be exempted from regulation pursuant to 49 U.S.C. § 10502.

Detailed responses to the relevant comments are set forth in the following sections.

I. SUPPORT FOR THE PROPOSED TRANSACTION

A. AMTRAK

Amtrak and Michigan Central have reached landmark agreements addressing the long-term level of utility of the line between Kalamazoo and Ypsilanti for Amtrak's operations. Amtrak states that the NSR line between Kalamazoo and Ypsilanti is of "critical importance" to its passenger operations, and that it is "imperative that ... the line continue to be maintained at the Class 4 standards necessary to support Amtrak's current service over the line." Amtrak Comments at 2, 4. This is also the subject of several other comments submitted to the Board. Pursuant to agreements reached between Amtrak and Michigan Central, submitted to the Board, this imperative will be met.

Pursuant to these agreements:

- NSR's obligations and rights under its operating agreement with Amtrak will be assigned to Michigan Central, and the term of that agreement will be extended.
- Michigan Central will expend at least \$2.5 million annually for track, signal, and related maintenance work on the Kalamazoo-Ypsilanti line for each of the first three years and at least \$2 million annually for such purposes for the ensuing two years, totaling \$11.5 million over five years.
- Michigan Central will expend at least \$11.5 million on capital projects involving track, signals, and related facilities on the Kalamazoo-Ypsilanti line within five years.
- These expenditures are subject to verification at the request of Amtrak.
- Several capital projects important to Amtrak will be completed within specific time frames, again subject to verification by Amtrak.

dependent on local traffic for their survival, and thus have a greater incentive .. to provide local shippers with service tailored to their needs.")

- Michigan Central will ensure that the monthly average minutes of delay per trip due to temporary speed restrictions caused by track-related defects will not exceed specified levels.

Perhaps most significant, given the (misguided) perceptions of many as to the ability of short lines to be a vital part of the interstate rail system and to maintain track sufficient for passenger service, Michigan Central will back up its commitments to Amtrak by providing an irrevocable letter of credit on which Amtrak can draw, up to a total of \$12 million over five years, in order to cure any failure by Michigan Central to perform its obligations under its agreements with Amtrak.

In addition to these binding investment commitments, Michigan Central and Amtrak are working together toward further cooperation in maintenance, capital investments, and operations on the Kalamazoo-Ypsilanti line. Specifically, Michigan Central and Amtrak have had discussions regarding the performance of routine inspection and maintenance of track and signals, major maintenance and capital investments, and train dispatching on the line. These discussions are continuing in order to ensure that needed maintenance and investments are carried out efficiently and appropriately, and to promote improved coordination of freight and passenger service on the line.

No other party is better positioned than Amtrak to determine what it needs to ensure the utility of the Kalamazoo-Ypsilanti line, what maintenance standards are needed to ensure uninterrupted passenger rail service, and whether and how those standards are being met. Amtrak has demonstrated that its interests are fully protected, and its support of the proposed transaction shows that it will not result in any adverse effect on passenger rail service in Michigan. Michigan Central joins in Amtrak's request that implementation of the agreements between Michigan Central and Amtrak be made a condition of the proposed exemption.

B. STATE OF MICHIGAN

Governor Jennifer Granholm's comments on behalf of the State of Michigan in support of the proposed transaction confirm this and go much farther. Governor Granholm "acknowledges the challenges the market has placed on these important rail lines," and expresses hope that Michigan Central can successfully meet these challenges and increase traffic on the lines. Michigan Comments at 1. Governor Granholm extends her State's support and encouragement that the infrastructure investments proposed by Michigan Central will "provide better service to shippers located on those lines." *Id*

Governor Granholm notes that Michigan Central, NSR and Amtrak "have reached a legally-binding agreement, which addresses and resolves each of [Michigan's] passenger rail concerns." *Id.* at 2. Governor Granholm compliments the parties "for their cooperation and responsiveness in dealing with complex issues and for reaching an agreement on the commitments necessary to maintain and improve passenger rail service in Michigan now and into the future." *Id.* Michigan is "supportive and appreciative of the freight and passenger rail investment commitments" of the parties. *Id*

C. SUPPORT FROM MANY OTHER SECTORS

Several other parties have weighed in to express strong support for approval of the requested exemption. For the Board's convenience, copies of several of the written expressions of support are attached.

Michigan State Senator Mark Schauer states that he is "encouraged by the progress that has been made . . . to put in place legally enforceable guarantees" regarding the safety and maintenance of the lines at issue, among other concerns, and notes that Michigan Central and Amtrak have entered into a binding agreement to "ensure the maintenance of, and future improvements to, passenger rail service in Michigan." Schauer Comments at 1. The

Southwest Michigan Council of Governments (“SEMCOG”) – the Metropolitan Planning Organization for Southwest Michigan – expresses much the same sentiments. Of particular interest to SEMCOG “is the ability and willingness of [Michigan Central], to maintain and allow for enhancement in the line’s level of utility.” SEMCOG Comments at 2.

Michigan Southern Railway Company (“MSO”), a short line that will connect with the new Michigan Central, and Elkhart & Western Railroad Co. (“EWR”) also have submitted a letter to the Board stating that MSO’s and EWR’s concerns had been addressed to their satisfaction. The Michigan Agri-Business Association has endorsed the proposed transaction, stating that it “will add a new element of transportation competition and service to the Michigan economy,” and adding that “this joint venture will improve transportation choices in Michigan, and that the transaction generally is in the public interest.” See Exhibit A. The support of the Michigan Agri-Business Association is particularly significant because that organization, which represents many agriculture-related shippers located on Michigan Central, previously had expressed concern about the potential effects of the transaction. After meeting with representatives of Michigan Central and learning more about its plans for new capital investments and improved service, the Michigan Agri-Business Association chose to support the proposed transaction, in a letter to the Board dated August 16, 2007.

RailAmerica, Inc., which operates two short line railroads that will interchange with Michigan Central – the Grand Rapids Eastern Railroad and the Mid-Michigan Railroad – states that “Michigan Central’s service plan, the investments in track rehabilitation, ... and their commitment to growing rail traffic in Michigan to meet customers needs ... will enhance rail service in Michigan.” See Exhibit B.

Great Lakes Central Railroad, a regional railroad located in Michigan, endorses the proposed transaction in a complete and succinct manner: "The bottom line is we believe we will have a transportation partner on the subject line, which will improve transportation choices that benefits the railroads, the shippers as well as the passenger rail industry." *See* Exhibit C.

Support has also been received from Covalence Coated Products, Dawn Food Products, Magic Steel Sales LLC ("Magic Steel"), RSI Logistics, Louis Padnos Iron & Metal Company, Graphic Packaging International, Inc. ("Graphic Packaging"), and RSDC of Michigan, the largest receiver of rail traffic on the Michigan Central rail lines. *See* Exhibit D. For example, Graphic Packaging, one of the larger shippers located in Kalamazoo, notes that "this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public and Graphic Packaging's interest." Similarly, Magic Steel supports the proposed transaction because, among other reasons, of the "renewed customer focus by Michigan Central Railway [which] will benefit Magic Steel."

The Kalamazoo Regional Chamber of Commerce also supports the proposed transaction, stating that it would "significantly increase the commerce occurring over these currently underutilized rail lines," and "serve as a good complement" to the current transportation alternatives in Michigan. It also adds that the capital investments proposed by Michigan Central (including \$6 million in the first year) "will also offer a positive infusion into the state's economy." *See* Exhibit E. National Copper Products, Inc., and Robert Weed Plywood Corp., also endorse the transaction, stating that it "will improve transportation choices in Michigan," and is in the public interest. *See* Exhibit F. Significantly, no shipper directly located on Michigan Central lines has filed to oppose the transaction.

Several other parties express concerns about passenger service in Michigan that have now been addressed by the Amtrak agreements. For example, Michigan State Representatives Lee Gonzales and Robert Jones express certain concerns, and Rep. Jones goes further to state an intention (at 2) to oppose the transaction unless he receives written verification of Michigan Central's ability to "maintain the current level of service." The statements of these two Representatives were dated before the Amtrak agreements were reached, and do not reflect the existence of those agreements. Michigan Central believes that the provisions of the Amtrak agreements fully address and resolve most, if not all, of the concerns they raised.³

The same may also be said of the comments of the City of Ann Arbor, Washtenaw County, the Michigan Association of Railroad Passengers ("MARP"), and the National Association of Rail Passengers ("NARP"). In addition, MARP and NARP request, without any explanation or justification, further conditions (such as the transfer of dispatching obligations to Amtrak and the placement of an Amtrak representative on the management committee of Michigan Central, a private company) that are wholly unsupported and unnecessary.

The Environmental Law & Policy Center ("ELPC") (at 3) "applaud[s]" Michigan Central and Amtrak for reaching agreements that will protect passenger interests in Michigan, but seeks to impose a ten-year STB oversight period, and seeks an option for Amtrak, the State of Michigan, and Conrail to acquire Michigan Central's assets if it is unable to "successfully implement its business plan." Such a formal oversight period goes far beyond what is reasonably necessary to protect interests that Amtrak itself has already protected. Certainly, the grant of an

³ Rep. Jones also states (at 2) that the Michigan "agribusiness community is strongly opposed to this sale." But Rep. Jones evidently was unaware of the strong statement of support offered by the Michigan Agri-Business Association in its support letter dated August 16, 2007.

option to acquire a railroad is wholly without justification, and would be unprecedented and beyond the Board's regulatory powers in any event.

II. BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES DIVISION/IBT AND BROTHERHOOD OF RAILROAD SIGNALMEN

In joint comments, the Brotherhood of Maintenance of Way Employees Division of the International Brotherhood of Teamsters and the Brotherhood of Railroad Signalmen ("BMWED/BRS") oppose the requested exemption, arguing that NSR "will have effective control of Michigan Central." BMWED/BRS Comments at 1. Therefore, they conclude, "there is no real acquisition transaction at all here." *Id.* BMWED/BRS weave their argument from a variety of threads from the various agreements, ignoring other provisions from those same agreements that are inconsistent with their position.

The Board, like the ICC before it, has long held that an analysis concerning control must involve a review of whether the party assertedly in control has "the power to manage the day to day affairs" of the other rail carrier. ICC Finance Docket No. 31243, *Declaratory Order – Control – Rio Grande Industries, Inc.*, 1988 ICC LEXIS 257, *7 (served Aug. 25, 1988), *aff'd sub nom. Kansas City So. Ind., Inc. v. ICC*, 902 F.2d 423 (5th Cir. 1990) ("*Rio Grande*").⁴ BMWED/BRS fail to demonstrate that NSR will have the power to manage the day to day affairs of Michigan Central, because it cannot.

First, BMWED/BRS argue that by holding a 33 percent interest, NSR will control Michigan Central. BMWED/BRS assert (at 12) that "[t]he mere fact that NSR has such a large stake in the acquiring entity is inconsistent with the assertion that the arrangement is a Section

⁴ See also STB Finance Docket No. 34738, *Paducah & Louisville Ry., Inc –Acquisition–CSX Transportation, Inc.* (served Aug. 29, 2005) ("*P&L-CSXT*") (no control where minority stockholder not involved in day-to-day operations and management); STB Finance Docket No. 33350, *Soo Line R.Co –Petition for Declaratory Order*, at 10 (served Feb. 4, 1998) ("*Soo Line Petition*"), citing *Colletti—Control—Comet Freight Lines*, 38 M.C.C. 95, 97 (1942).

10901 non-carrier transaction ” BMWED/BRS also argue (at 18) that “inconsistencies” between NSR’s claimed ownership interest and the value of the rail line contributed, when combined with “the level of control exercised by NSR through other means,” demonstrate that NSR will control Michigan Central.

But the unions ignore the overall structure of the proposed transaction to arrive at their characterization of “inconsistencies,” take pains to arrive at an insupportably low assumed value of the transaction to NSR, and fail to distinguish the cases cited by Michigan Central involving similar ownership interests, except to claim that the procedural postures of those cases make them apparently not relevant as Board precedent.

As described in the Petition for Exemption (at 12-13), upon completion of the proposed transaction, NSR will own a non-controlling 33 percent membership interest in Michigan Central, while Watco will own a controlling 67 percent membership interest. NSR will be entitled to receive certain economic benefits including net cash flow from Michigan Central’s operations in a different proportion from its membership interest. *Id.*

This structure was carefully chosen to allow the transaction to proceed without requiring Michigan Central to incur a heavy acquisition debt load and financing costs. In substance, NSR has agreed to accept deferred compensation (to be paid out of Michigan Central’s earnings), rather than requiring payment “up-front” for the assets it will contribute to the joint venture. There are no “inconsistencies” between the claimed value of the NSR interest and the value of the contributed line. Rather, the parties’ arrangement will permit the acquisition of a rail line by a noncarrier in a manner that will allow it to devote more of its financial resources at start-up to rail operations and maintenance, thereby enhancing its prospects of financial success.

This approach is consistent with the Board's and ICC's handling of many other transactions. The relevant precedent demonstrates that ownership of a minority position in a rail carrier does not ordinarily constitute control. *See, e.g.,* STB Finance Docket No. 34821, *Norfolk Southern Ry. Co.—Trackage Rights Exemption—Meridian Speedway LLC* (served Apr. 6, 2006); *P&L-CSXT, supra*; STB Finance Docket No. 33326, *I&M Rail Link LLC—Acquisition and Operation Exemption—Certain Lines of Soo Line R. Co. d/b/a Canadian Pacific Ry* (served Apr. 2, 1997), *aff'd sub nom. City of Ottumwa v. STB*, 153 F.3d 879 (8th Cir. 1998).⁵

In *I&M Rail Link*, for example, a noncarrier (I&M) acquired more than 1,100 miles of rail lines, plus additional trackage rights, from Soo Line. I&M, which was wholly owned by individuals who also owned Montana Rail Link, an existing carrier, relied on the class exemption under 49 C.F.R. §1150.31 for its acquisition of the Soo lines, and on the class exemption under 49 C.F.R. § 1180.2(d)(2) for the resulting common control of I&M and Montana Rail Link. In addition, Soo retained an option to acquire a 33-1/3 percent interest in I&M, and sought a declaratory order seeking a ruling that it would not “control” I&M as a result of that one-third interest.

After interested parties moved to revoke the class exemptions, and opposed Soo's request for a declaratory order, the Board ruled that I&M was not the “alter ego” of Montana Rail Link, and allowed the exemptions to take effect. The Board also held that Soo's acquisition of up to a 33-1/3 percent interest in I&M would not be deemed to be “control” for the purposes

⁵ *See also* STB Finance Docket No. 33362, *Paducah & Louisville Ry. Inc.—Control Exemption—Paducah & Illinois R Co.* (served August 25, 1997) (“*P&L-P&F*”); STB Finance Docket No. 32858, *Illinois Central Corp., et al. —Control—CCP Holdings, Inc., et al.* (served Mar. 1, 1996); *Rio Grande, supra*, slip op. at 3; “); *Burlington Northern, Inc.—Control and Merger—St. Louis S F Ry Co*, 366 I.C.C. 862 (“*BN Control*”), *aff'd sub nom Brotherhood of Ry. and Airline Clerks v. Burlington Northern, Inc.*, 722 F.2d 380 (8th Cir. 1983).

of 49 U.S.C. § 11323. *See Soo Line Petition, supra, accord, P&L-CSXT, supra; P&L-P&I, BN Control, supra.*

BMWED/BRS also contend (at 4, 13) that NSR's alleged "veto power" over certain defined "major decisions" by Michigan Central amounts to effective control under 49 U.S.C. § 11323, and allege that these major decisions "include day-to-day business decisions." This assertion is incorrect. The defined Major Decisions do *not* include any day-to-day business decisions, but instead are certain specified significant decisions taken by the Board of Directors of the company that would affect the value of the investment made by NSR. This reserved right to participate in specified Major Decisions does not constitute control over ordinary course of business or day-to-day business or operating decisions, but instead is an important minority shareholder right, typical in such transactions.⁶

BMWED/BRS stretch their argument in other ways as well. For example, they claim that a requirement in the Joint Use Agreement⁷ (governing NSR's haulage and trackage rights over the lines of Michigan Central) that Michigan Central must maintain the line in "reasonably good condition"⁸ and the fact that NSR may request improvements to the lines at NSR's expense are somehow indicia of control. Yet, far from constituting an ability to "exercise control over track maintenance and improvements on Michigan Central," *id.* at 5, these provisions are typical of haulage and trackage rights agreements, enforceable as a matter of contract law (and not as a matter of corporate governance). But more importantly,

⁶ *See, e.g., Union Pacific RR. et al.—Trackage Rights Over CNW*, 7 I.C.C.2d 177, 194-96 (1990); *Gulford Transp Industries—Control—B&M Corp*, 366 I.C.C. 294, 327-328 (1982); *Securities Regulations—Public Offerings*, 347 I.C.C. 443, 471 (1974).

⁷ Petition for Exemption, Ex.2, App. E.

⁸ Michigan Central will be contractually obligated to maintain its lines in "reasonably good condition," but it has no affirmative obligation to "satisfy NSR" in this regard. *See* BMWED/BRS (at 13).

BMWED/BRS ignore the full text of the very provisions they assert demonstrate control.

Section 4 of the Joint Use Agreement (in which Michigan Central is the “Landlord”) provides (emphasis added):

Landlord shall be **solely responsible** for the maintenance, repair and renewal of the Subject Trackage. Landlord shall keep and maintain the Subject Trackage in reasonably good condition for the use herein contemplated, but Landlord does not guarantee the condition of the Subject Trackage or that operations thereover will not be interrupted.

Similarly, Section 5 of the Joint Use Agreement provides that “Landlord shall have exclusive control of the management and operation (including dispatching) of the Subject Trackage.” *Id* These provisions demonstrate that NSR does not, and will not, control Michigan Central, its operations, its maintenance, its employees, or any of the other day-to-day affairs of the company.

As described in the Petition for Exemption, Michigan Central’s corporate governance structure will ensure that Michigan Central will not be controlled by NSR within the meaning of 49 U.S.C. § 11323. A majority of the members of Michigan Central’s Management Committee and Capital Project Committee will be appointed by Watco. In fact, Michigan Central’s day-to-day operations will be directed by a General Manager and other officers appointed by the Management Committee.

BMWED/BRS’s remaining contentions concern the proposed transaction’s alleged impact on rail employees. These complaints provide no basis for any relief in a transaction under 49 U.S.C. § 10901. It should be noted, however, that Michigan Central expects to offer employment to most of the NSR employees currently working on the lines to be acquired, and that NSR is willing, subject to the concurrence of the pertinent labor unions, to grant leaves of absence of up to 12 months to agreement employees on the lines who do go to work on Michigan Central. *See infra* at 19.

III. UNITED TRANSPORTATION UNION

The United Transportation Union (“UTU”) opposes the proposed transaction, and seeks protective conditions (including *New York Dock* and/or additional conditions), but it cannot make up its mind as to the basis on which it seeks such extraordinary relief. UTU argues inconsistently (at 18-25) that the proposed transaction does not qualify as a non-carrier acquisition under § 10901, because (1) Michigan Central will be controlled by NSR; *and* (2) Michigan Central will be controlled by Watco.

First, UTU argues (at 19) that “NSR’s ownership of a 33 percent membership interest along with other substantial control powers . . . clearly places NSR in control of MCR within the meaning of § 11323 as it has substantial and dominant influence over MCR.” Therefore, UTU argues (at 18-22), the proposed exemption should be rejected or “at the very least, approved under § 11323 with the proper labor protective conditions imposed under § 11326(a).” But UTU’s assertions that NSR will control Michigan Central suffer from the same deficiencies as those made by BMWED/BRS, which are addressed *supra* at 12-16.

UTU’s inconsistent argument that Watco is the actual entity that will control and operate MCR fails as well. UTU argues that, because of the extent of services to be provided to Michigan Central by Watco under the Support Services Agreement, “Watco Companies maintains so much control over the railroad’s business in this situation as to render the corporate structures created for this transaction truly fictitious.” As a result, UTU argues (at 25), “the corporate veil should be pierced, and this transaction should be rejected or approved under § 11323 ”

The support services to be provided to Michigan Central by Watco are routine “back-office” services found in many similar rail transactions. They are specifically set forth in Schedule 1 to the Agreement and consist of accounting (including car hire accounting), financial

controls, employee benefit, payroll and treasury management, press relations, government relations (including lobbying), strategic planning consulting, and strategic management concerning certain aspects of the business, in each case performed as a contractor to, and under the direction of, Michigan Central. The structure of the proposed transaction guarantees that Michigan Central will be an independent corporate entity, not the "alter ego" of Watco.⁹

Further, Watco's control of Michigan Central after consummation of the proposed transaction will be authorized through Watco's continuance-in-control exemption in Finance Docket No. 35064. *See, e.g.,* Finance Docket No. 33326, *I&M Rail Link, LLC—Acquisition and Operation Exemption—Certain Lines of Soo Line R.Co. D/B/A Canadian Pacific Ry (served Apr. 2, 1997), supra.*

UTU requests that if the exemption is granted, the Board should impose certain protective conditions to lessen the alleged burden on employees. UTU (at 28) asks the Board to order (1) that NSR employees who accept employment with Michigan Central may, within six years thereafter, return to and exercise seniority on NSR; and (2) that NSR make certain payments to its employees who stay with NSR and relocate, and are unable to sell their homes at or near 2006 market value. The short answer to UTU's request is that the Board has no authority to impose employee protective conditions in transactions under 49 U.S.C. § 10901. But, in any event, UTU's request has no relationship to the circumstances of this transaction.

⁹ Moreover, arguments like UTU's concerning the Support Services Agreement have been uniformly rejected by the ICC, the Board and the courts. *See, e.g.,* ICC Finance Docket No. 32432, *New England Central Railroad, Inc. – Acquisition and Operation Exemption – Lines Between East Alburg, VT and New London, CT* (served Dec. 9, 1994), *aff'd sub nom. Brotherhood of R.R. Signalmen v. I.C.C.*, 63 F.3d 638 (7th Cir. 1995), *reh'g denied* Sept. 12, 1995; *G&MV R. Co. – Exempt – Consolidated Rail Corp.*, 9 I.C.C. 2d 1249, 1255 (1993); STB Finance Docket No. 32240, *Bradford Industrial Rail, Inc – Acquisition and Operation Exemption – Consolidated Rail Corporation* (served Nov. 14, 1997); STB Finance Docket No. 31974, *Mountain Laurel R.Co. – Acquisition and Operation Exemption – Consolidated Rail Corporation* (served May 15, 1998).

As the Petition for Exemption explains (at 9), Michigan Central expects to offer employment to most of the NSR employees currently working on the lines to be acquired. NSR is willing, subject to the concurrence of the pertinent labor unions, to grant leaves of absence of up to 12 months to agreement employees on the lines who do go to work on Michigan Central. The NSR employees of course need not accept offers of Michigan Central employment. Of the 131 NSR agreement employees who will be affected by the acquisition, 126 have sufficient seniority to be able to obtain other positions in their crafts elsewhere on NSR, and four of the remaining five have wage protection under existing on-property protective arrangements unrelated to this transaction. All of the seven affected nonagreement employees will be able to continue their NSR employment.

Moreover, UTU's particular requests for relief are without foundation in any prior Board or ICC decision. Michigan Central is not aware of any line acquisition transaction in which approval or exemption has been conditioned on employees' having any period of time, much less six years, in which to reclaim their prior employment; nor has the Board or ICC ever acted to guarantee employees the values of their residences as of some prior date.

IV. BROTHERHOOD OF LOCOMOTIVE ENGINEERS & TRAINMEN

The Brotherhood of Locomotive Engineers and Trainmen, a Division of the International Brotherhood of Teamsters ("BLET"), requests that the Board deny the petition for exemption, and alternatively seeks particular protective conditions.

BLET concedes (at 3) that "Michigan Central may not be considered to be the alter ego of Norfolk Southern under current legal authorities." Nonetheless, it argues (at 3-4), the Board should reject the exemptions involved in these dockets. In the alternative, BLET argues, the Board should adopt a number of conditions for the benefit of employees on the line,

ordering (1) that NSR employees who accept employment with Michigan Central may, within two years thereafter, return to and exercise seniority on NSR; and (2) that NSR make certain payments to its employees who stay with NSR and relocate, but are unable to sell their homes at or near 2006 market value

The Board has no authority to impose employee protective conditions in transactions under 49 U.S.C. § 10901. Moreover, BLET's requests have no relationship to the circumstances of this transaction. *See supra* at 19. In any event, like UTU's requests, BLET's requested conditions have no foundation or precedent in law or in any prior Board or ICC decision. These requests must be rejected.

V. MARQUETTE RAIL

Marquette Rail states that it "does not . . . oppose the transaction generally," but argues that conditions are needed to address the "adverse impacts of the proposed NS-MCR Transaction on Marquette Rail and its shippers." Without such conditions, Marquette Rail argues (at 1), "the proposed acquisition will significantly diminish the service and competitive access of Marquette Rail shippers to NS via the Grand Rapids, Michigan gateway."

Marquette Rail seeks several conditions. First (at 16-17), Michigan Central "should be required to participate with Marquette Rail in the construction of [a] previously-planned connector . . . in Grand Rapids, with each party responsible for the construction expenses on its right-of-way." According to Marquette Rail, 90 percent of the proposed right-of-way would be located on Michigan Central property, meaning that Michigan Central would bear 90 percent of the construction cost. Marquette Rail's witness, Kevin Ruble, asserts without support that the construction costs would be \$324,000. Marquette Rail argues (at 18) that such a

“pro-competitive” condition is consistent with the Board’s decision in *Major Rail Consolidation Procedures*, 5 S.T.B. 539 (2001).

Second, Marquette Rail argues (at 19) that it “must be allowed to ‘follow’ NS to Elkhart by obtaining overhead trackage rights on the NS/MCR Grand Rapids-Elkhart line for such purposes.” In the alternative, Marquette Rail seeks (at 20) a condition requiring Michigan Central to provide haulage service to Marquette Rail for NSR interline traffic between Grand Rapids and Elkhart, “at reasonable rates not to exceed \$206 per loaded car . . . and \$103 per loaded car for larger units” of 60 or more cars, including the empty return, along with contingent trackage rights in case of service failures.

Marquette Rail repeatedly emphasizes statements from the Board’s decision in the Conrail acquisition case¹⁰ regarding the benefits of single-system service, and argues (in inappropriately heated rhetoric) that the proposed transaction would be inconsistent with those statements. Marquette Rail also implies that Watco repeatedly has failed to carry out its representations to the Board, and argues (at 3) that “the claims made in the MCR Petition for Exemption should not and cannot be taken simply at face value.”

Marquette Rail’s arguments are seriously misleading and fundamentally wrong. Shippers on Marquette Rail have *no direct physical connection to NSR* at Grand Rapids today, and no significant amount of traffic has ever moved via the indirect Marquette-CSXT-NSR connection at Grand Rapids at any time since Marquette Rail’s creation in 2005. Marquette Rail now seeks to improve its own competitive position by taking advantage of the current proceeding, at Michigan Central’s expense.

¹⁰ *CSX Corp., et al.—Control—Conrail Inc., et al.*, 3 S.T.B. 196 (1998) (“*Conrail*”), *aff’d sub nom Erie-Niagara Rail Steering Committee v. STB*, 247 F.3d 437 (2d Cir. 2001).

The relief Marquette Rail seeks cannot be justified by the facts or the law.

Marquette Rail's request is factually unsupported, as we understand that Marquette Rail's statements concerning the state of discussions regarding the connection are inaccurate, and further as Marquette Rail has failed to disclose the number of cars that may have actually moved via this routing, declined to estimate how many cars might move in the future, and failed to provide any support whatsoever for its construction cost estimate. Moreover, the type of relief sought by Marquette Rail is not appropriate, and has never been granted, in a rail line sale transaction approved or exempted under 49 U.S.C. § 10901. Without regard to whether such relief might ever be appropriate in a multi-carrier merger transaction under 49 U.S.C. § 11323, such as the Conrail transaction, the proposed transaction in this proceeding is not a merger; it is a relatively simple line sale involving the creation of a new Class II rail carrier. There is no precedent supporting such a request in this proceeding.

Marquette Rail was created as a new Class III rail carrier through the lease of rail lines and assets from CSXT in October, 2005. Prior to that time, the customers on its line were served exclusively by CSXT, and, notwithstanding repeated references by Marquette Rail to the contrary, these customers were not affected whatsoever by the Conrail Transaction.

Marquette Rail asserts that it "currently has access to both CSXT and NS via interchanges at Grand Rapids" (at 4), but in fact Marquette Rail has no direct physical connection with NSR. Rather, Marquette Rail can interchange traffic with NSR only indirectly, via a CSXT switching movement that Marquette Rail acknowledges takes nearly four days to navigate. Marquette Rail acknowledges (at 4-5) that CSXT currently imposes both a "paper barrier fee" and an intermediate switching fee of \$105 per car in each direction for switching between Marquette Rail and NSR. Marquette Rail has not disclosed the amount or terms of its

“paper barrier” with CSXT in this proceeding, and has provided no estimate of how much traffic conceivably could move despite this paper barrier even if the requested conditions are granted.

Marquette Rail alleges (at 6) that it and NSR “have developed arrangements for construction of a short, 1,700-foot track near Turner Street in north Grand Rapids that would provide a direct connection between Marquette Rail and NS.” Marquette Rail alleges (*id.*) that “[a]rrangements between NS and Marquette Rail for the new connector were nearly complete, but now have been shelved apparently as a result of the pending MCR acquisition of NS’s Grand Rapids area lines.” But those allegations do not comport with Michigan Central’s understanding of the facts.

Michigan Central understands that Marquette Rail approached NSR at some time after its creation to discuss the construction of a direct physical connection between NSR and Marquette Rail at Grand Rapids. NSR will address the details of these discussions, with which Michigan Central is not familiar, in a separate filing. But the end result of these discussions is clear: no agreement was reached, and no connecting track was ever built. *See* Reply Comments of Norfolk Southern at 6-8.

Marquette Rail acknowledges (at 5), that “[h]istorically, little or no traffic on what are now Marquette Rail’s lines north of Grand Rapids was interchanged with NS (and, before NS, Conrail) at Grand Rapids.” It asserts, however (at 5), that in the two years since its creation, Marquette Rail and its shippers “have aggressively and somewhat successfully worked to develop competitive traffic movements with NS via a Grand Rapids interchange,” and that “some traffic has begun to move on a Marquette Rail-NS routing via Grand Rapids.” Notably, neither Marquette Rail nor any of the shippers supporting its request have provided any information regarding the actual number of cars that may have moved via this routing at any time

since 2005. Although Marquette Rail attempts to emphasize overall traffic volumes originating on its line, nearly all of that traffic continues to move via its traditional interchange with CSX, *not* via Norfolk Southern at Grand Rapids.

Michigan Central understands that according to Norfolk Southern's traffic data, only a small volume of Marquette Rail traffic has been interchanged with Norfolk Southern at Grand Rapids in the last two years. According to Norfolk Southern, its records show that only 21 rail cars moved via this routing in 2005 (after Marquette Rail's creation in October, 2005), while only 52 cars moved via this routing in 2006, and 175 cars (from only four shippers) were shipped through this interchange in 2007 (through September 20, 2007). Thus, traffic volume moving via this route remains very small.

Remarkably, Marquette Rail now alleges (at 6) that the proposed transaction in this proceeding "severs Marquette Rail's connection with NS, and adds yet another carrier to the routing for potential Marquette Rail traffic interchanged with NS." But as described above, Marquette Rail has no direct connection with NSR at Grand Rapids; the proposed transaction cannot "sever" what does not exist. The only relevant effect of the proposed transaction on Marquette Rail is that Michigan Central will replace NSR in any potential traffic routings moving via Grand Rapids. Such potential routings, however, are entirely speculative, because Marquette Rail has failed to offer even an informed guess as to how much traffic, if any, would potentially move via this routing.

Marquette Rail also argues that the NSR-Michigan Central haulage "solution" is "illusory, at best, and itself anti-competitive, at worst," and argues (at 12) that haulage would not address the operating inefficiencies caused by the additional interchanges and participating carriers resulting from the proposed transaction. Marquette Rail argues that the haulage rate

agreed to by Michigan Central and NSR “is so high that it would effectively foreclose movements” between Grand Rapids and Elkhart, “essentially leaving Marquette Rail and its shippers as ‘2-to-1’ parties who will lose one of their two competitive rail options when NS withdraws from Grand Rapids.” *Id.* at 13 (emphasis in original). Marquette alleges that “haulage rates at the levels proposed . . . simply eliminate the routings altogether.” *Id.*

These arguments are misguided. The existence of the haulage arrangement between Michigan Central and NSR provides an extra competitive option to Marquette Rail, in addition to conventional joint-line service with Michigan Central. If Marquette Rail chooses not to take advantage of the haulage arrangement with NSR, it can still interchange with Michigan Central at Grand Rapids, and it will be no worse off than if the haulage rate had never been established. Plainly, the existence of the haulage arrangement cannot “foreclose” movements between Grand Rapids and Elkhart

Even more importantly, the same haulage arrangement that Marquette Rail claims is “illusory” is hailed by RailAmerica as one that “will enable the Grand Rapids Eastern and Mid-Michigan to preserve their current commercial relationships with Norfolk Southern while enjoying the benefits of improved service and collaboration between connecting carriers resulting from Michigan Central’s local management of the connecting rail lines.” *See* Exhibit B Like Marquette Rail, these short line railroads currently interchange with Norfolk Southern at Grand Rapids, and will be able to enjoy the benefits of the haulage arrangements in the same manner as Marquette Rail. Thus, Marquette Rail’s criticism of this haulage arrangement rings hollow. Shippers on Marquette Rail will lose no competitive options, and will benefit from the proposed transaction as described above.

The proposed transaction will result in the addition of an extra carrier (Michigan Central) and an extra interchange for customers located on Marquette Rail in shipments moving to destinations on NSR, *in exactly the same way that ALL short line transactions result in the addition of an extra carrier and an extra interchange for customers located on the line.*

Marquette Rail seems to suggest that the Board should grant extraordinary relief every time a single-line movement becomes a joint-line movement in a Board-approved transaction. But if that were the rule, then every shipper located on the lines of a new Class II or Class III carrier would be entitled to such relief in every line sale transaction. Obviously, that is not the case, nor should it be. Such a ruling would threaten to fundamentally undermine the creation and viability of short line railroads by burdening them with extraordinary conditions. In fact, Marquette Rail has not cited any single-carrier transaction under 49 U.S.C. §10901 in which similar relief has been granted, and Michigan Central is not aware of any such precedent.

Marquette Rail does cite the Conrail transaction, a major rail merger reviewed under 49 U.S.C. § 11323. In that case, the applicants and NITL negotiated a broad settlement agreement, including certain remedies for shippers whose prior single-line service would become joint-line service. The Board then extended those remedies to certain shippers located on Class III railroads whose two-carrier service would become three-carrier service. Marquette Rail argues that the proposed transaction here involves exactly the same situation. *Id* at 13. But there are several significant differences between these cases, and the remedies proposed in this case far exceed anything imposed in the Conrail proceeding.

First, the Board has held that pro-competitive conditions may be appropriate in transactions reviewed under 49 U.S.C. § 11323 involving the common control of two or more Class I railroads in order to offset other anti-competitive effects for which there is no apparent

remedy. In this case, however, the proposed transaction is not subject to 49 U.S.C. § 11323; it is not a transaction involving the common control of two or more Class I railroads; and it will have no anti-competitive effects to offset.

Second, in *Conrail*, the NITL conditions applied to shippers who had single-line service, and by extension applied to Class III railroads that could provide through service connecting solely with Conrail. That is not the case here. In this case, by Marquette Rail's own admission, the traffic at issue currently moves in a three-carrier routing (MQT-CSXT-NSR). The fact that CSXT accounts for this traffic as a switching movement rather than a line-haul does not alter the fact that the current traffic must be physically handled by three carriers. Therefore, this traffic would not qualify as single-line or two-line (short line-Conrail) traffic under the NITL conditions.

Third, the negotiated NITL settlement offered specified relief to shippers that had shipped at least 50 cars on an annual basis on the routes in question. In this case, neither Marquette Rail nor any of the shippers supporting it have indicated how many cars, if any, they have shipped via the routing in question.

Fourth, even if the traffic at issue did qualify for the NITL conditions, which it does not, the relief granted in *Conrail* would not remotely justify the extraordinary conditions sought by Marquette Rail. In *Conrail*, the relief granted under the NITL agreement was to require the applicants to "maintain the existing Conrail rates, subject to RCAF-U increases" for a period of 3 years, and to "work with the shippers to provide fair and reasonable joint-line service," for a similar period. This is a far cry from the conditions sought by Marquette Rail, including the requirement to construct and maintain interchange tracks and a new grade crossing, and the imposition of more than 100 miles of trackage rights

Finally, the conditions that Marquette Rail requests cannot be imposed in this proceeding, for they require: (1) imposition of the right to construct infrastructure on property owned by a non-party; and (2) imposition of trackage rights on a non-party. As noted above, Marquette Rail does not own its rail line and right of way, but leases it from CSXT. Marquette Rail seeks an order compelling the construction of track (for the purpose of bypassing CSXT) in part on property owned by CSXT and leased to Marquette Rail. More significantly, Marquette Rail seeks trackage rights over Michigan Central to reach Elkhart Yard – a physical impossibility unless the Board imposed those trackage rights over the lines of CSXT between Turner St. and Pleasant St. interlocking, a distance of about 5.1 miles, to reach the NS line to travel south towards Elkhart.

Further, the relief Marquette Rail seeks would require Michigan Central to expend 90 percent of the cost of constructing the connecting track at Grand Rapids, for the asserted reason that the “lion’s share” of the resulting traffic benefit would accrue to Michigan Central. *Ruble V.S.* at 5. Marquette Rail fails to provide any support for that allegation, other than to claim that Marquette Rail would continue to interchange traffic with CSXT in the absence of a connection with NSR. But that argument, in turn, ignores the very competitive arguments Marquette Rail makes in order to justify the construction in the first place.

Marquette Rail further asserts – again without any support – that the cost of the connection would be \$324,000. There is no indication that Marquette Rail actually has performed any engineering studies or obtained any actual construction estimates from qualified contractors, nor is there any indication as to whether this figure includes the cost of installation of a grade crossing across the four lanes of Turner Avenue. The figure does not seem to reflect any costs for continuing maintenance of the new track and the grade crossing.

Michigan Central understands that NSR had not performed any engineering work on the proposal prior to the filing of Marquette Rail's comments. But even assuming that Marquette Rail's construction cost estimate were correct, the condition Marquette Rail seeks would cost Michigan Central at least \$291,000 in out-of-pocket expenses, not counting the cost of the required grade crossing which (according to Marquette Rail) would have to be borne completely by Michigan Central because it would be on Michigan Central property.

This "relief" bears no resemblance to the relief granted in the NITL settlement in *Conrail*, which required only that the carriers maintain their existing rates (plus RCAF-U increases), and pledge to "work with the shippers to provide fair and reasonable joint-line service."

Marquette Rail also has failed to support or justify the alternative relief it seeks, including the grant of trackage rights and the imposition of "reasonable" haulage fees. Similar relief was sought and flatly rejected by the Board in *Conrail*. In that case, shippers who lost single-line service requested that another carrier be granted trackage rights to serve their facilities directly. The Board replied that "[i]t would unduly interfere with applicants' proposed operations and be a substantial overreach, however, for us to give either NS or CSX trackage rights to permit these shippers direct access to two carriers so that one of them could serve those particular shippers in single-line service." 3 S.T.B. at 271.

Marquette Rail's comments include supporting statements from its President, Mr. Ruble, and from nine shippers, including Dow Chemical Co., Packaging Company of America, Martin Marietta Magnesia Specialties, and others. Although each of these shippers supports the relief requested by Marquette Rail, none of their statements indicates how many (if any) cars they have ever shipped over the Grand Rapids routing at issue, nor do they indicate

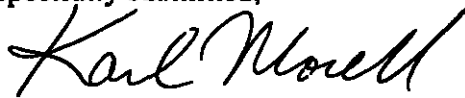
how many such shipments they would be likely to make if the connecting track were constructed.

Therefore, their statements add no probative support for Marquette Rail's requested relief

CONCLUSION

For all of the foregoing reasons, Michigan Central respectfully requests that the Board grant an individual exemption from regulation for its proposed acquisition of the rail lines at issue.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karl Morell", written in a cursive style.

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307
Attorney for
Michigan Central Railway, LLC

Dated. October 1, 2007

CERTIFICATE OF SERVICE

I hereby certify this 1st day of October, 2007, that I have caused the foregoing Reply Comments to be served by first class mail, postage pre-paid, on all parties of record in STB Finance Docket No. 35063.


Karl Morell

Exhibit A



**Michigan
Agri-Business
Association**

www.miagbiz.org

1501 North Shore Drive, Suite A
East Lansing, Michigan 48823

Telephone (517) 336-0223
Fax (517) 336-0227

August 16, 2007

Vernon A Williams, Secretary
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

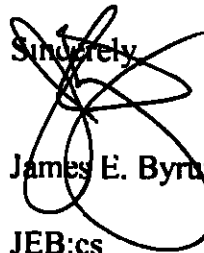
Re: STB Finance Docket No. 35063

Dear Secretary Williams:

I write to lend our endorsement to the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. I have met with officers from the Michigan Central who have explained the service plan, the investments in the track and the commitment to locate marketing officers in Michigan to meet customers needs, and I believe the transaction will add a new element of transportation competition and service to the Michigan economy.

Overall, I believe this joint venture will improve transportation choices in Michigan, and that the transaction generally is in the public interest

I would be happy to respond to any questions you may have.

Sincerely,


James E. Byrum, President

JEB:cs

Exhibit B



RailAmerica, Inc.

John E. Giles
President and Chief Executive Officer

Corporate Headquarters
5300 Broken Sound Blvd., NW
Boca Raton, FL 33487-3529
Phone 561.994.6015
Fax 561.994.3929

September 6, 2007

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: STB Finance Docket No. 35063

Dear Secretary Williams:

RailAmerica, Inc. would like to endorse the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. RailAmerica, Inc. is a leading short line and regional rail service provider with 41 short line and regional railroads, operating approximately 7,800 miles in the United States and Canada. The Company's railroads operate in 25 states and three Canadian provinces. Two RailAmerica properties, the Grand Rapids Eastern Railroad and the Mid-Michigan Railroad, will interchange with Michigan Central at Grand Rapids, Michigan.

We have reviewed the Michigan Central's service plan, the investments in track rehabilitation, which Michigan Central will undertake and their commitment to growing rail traffic in Michigan to meet customer needs. We believe that these plans will enhance rail service in Michigan.

The haulage arrangement, which will be placed into effect, will enable the Grand Rapids Eastern and Mid-Michigan to preserve their current commercial relationships with Norfolk Southern while enjoying the benefits of improved service and collaboration between connecting carriers resulting from Michigan Central's local management of the connecting rail lines. Going forward, our two properties can work closely with Michigan Central to develop new interline rail traffic opportunities in Michigan.

Overall, RailAmerica believes this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest.

Sincerely,

John E. Giles
President and Chief Executive Officer

Exhibit C



600 Oakwood Avenue, P. O. Box 550 • Owosso, MI 48867-0550
Phone (989) 725-6644 • Fax (989) 723-8226

MICHAEL W BAGWELL
President & CEO

September 6, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C 20423

Re. STB Finance Docket No. 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. The Great Lakes Central Railroad is a regional rail line, owning and operating more than 400 miles of track in the state of Michigan. Even though we do not directly interchange with Michigan Central (NS) line we are only two miles apart at Ann Arbor Michigan.

I have spoken with Watco Company executives about their plans in Michigan and am very encouraged by the prospects of our two companies working together in both rail freight and passenger service. Our plan, supported by the State of Michigan, is to operate north / south passenger trains between Ann Arbor and north Michigan. The Michigan Central and the Great Lakes Central believe there is a possibility to transfer Amtrak passengers at Ann Arbor to our trains going to north to a huge tourist area of our state. Further it gives us a better route into Chicago for freight than we now have if working together we are able to re-establish the interchange point at Ann Arbor.

The bottom line is we believe we will have a transportation partner on the subject line, which will improve transportation choices that benefit the railroads, the shippers as well as the passenger rail industry.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael Bagwell", written in a cursive style.

Michael Bagwell

Exhibit D

August xx, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: STB Finance Docket No. 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. I have met with officers from the Michigan Central who have explained their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

Overall, I believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest

Sincerely,

Tara J. Miller
Covance Coated Products / Berry Plastics
8-17-07

August xx, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

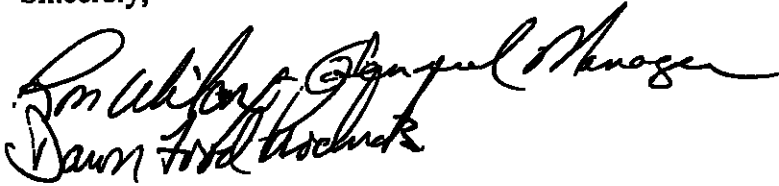
Re: STB Finance Docket No. 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. I have met with officers from the Michigan Central who have explained their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

Overall, I believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest.

Sincerely,


Dawn Ford



MAGIC STEEL SALES, LLC

August 16, 2007

**Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423**

Re: STB Finance Docket No. 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. We have reviewed the plans for the Michigan Central Railway as it relates to our rail service. Currently our rail service levels have been limited preventing additional rail traffic for our operations. After a meeting with the officers of Michigan Central Railway we were excited to hear of their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

Based on our initial meeting, we are comfortable that a renewed customer focus by Michigan Central Railway will benefit Magic Steel. Furthermore, we believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest.

Sincerely,

**Todd R. Counts
Chief Financial Officer**



RSI Logistics, Inc.

August 23, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re STB Finance Docket No 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain Norfolk Southern's lines in Michigan. I have met with officers from the Michigan Central who have explained their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

Overall, I believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest.

Sincerely,


Robert Tushet
President
RSI Logistics, Inc

4131 Okemos Road, P.O. Box 1396
Okemos, MI 48805-1396
Phone: 517-349-7713
Fax: 517-349-7154



LOUIS PADNOS IRON & METAL COMPANY
Secondary Metals and Fibres

August 23, 2007

Vernon A Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D C 20423

Re SIB Finance Docket No 35063

Dear Secretary Williams

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. I have met with officers from the Michigan Central who have explained their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

Overall, I believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest.

Sincerely,

Louis Padnos Iron & Metal Company

Shelley E. Padnos, Executive Vice President



August 20, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re STB Finance Docket No 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. I have met with officers from the Michigan Central who have explained their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

Overall, I believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Combs", written in a cursive style.

Dan Combs



August 27, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: STB Finance Docket No. 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. I have met with officers from the Michigan Central and Norfolk Southern who have explained their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

As one of the larger shippers in Kalamazoo, I believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public and Graphic Packaging's interest.

Sincerely,

A handwritten signature in black ink, appearing to read "R. L. Pierce, Jr.", is written over the word "Sincerely,".

Robert L. Pierce, Jr.

Corporate Director, Transportation

Exhibit E



Sept. 18, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street S.W.
Washington, D.C. 20423

Re: STB Finance Docket No. 35063

Dear Secretary Williams:

The Kalamazoo Regional Chamber of Commerce would like to register its support of the proposed acquisition by Michigan Central Railroad of certain Norfolk Southern lines in Michigan. The Chamber's volunteer leadership has met with officers from the Michigan Central Railroad and heard the outline of their business plan, state freight transportation impacts and employment impact of the operation. We have also had conversations with key regional stakeholders and with representatives from the Michigan Association of Rail Passengers. Our final analysis is that we believe this newly developed short haul railway system could serve as a great regional and statewide resource for moving freight among the nearly 250 potential customers along the proposed railway's lines.

The operation of this railway would significantly increase the commerce occurring over these currently underutilized rail lines. It also will serve as a good complement to the current freight trucking activity along the state's main highways (most significantly I-94 which connects Chicago to Detroit).

In addition to the several new jobs the Michigan Central Railway will create in its proposed new Kalamazoo headquarters the operation will add 118 new jobs in Michigan along the rest of the state's railway. The estimated \$6 million projected to be spent in the first year for track improvements and equipment needs will also offer a positive infusion into the state's economy.

Commitments made by the operators of the Michigan Central Railway to honor the previously held obligation of Norfolk Southern to upgrade the current rail to accommodate high speed rail within an identified window of time is another reason we have lent our support of this venture.

In summary, the Kalamazoo Regional Chamber of Commerce, on behalf of its more than 2,000 member businesses, is pleased to support the acquisition of the identified Norfolk Southern rail lines by operators of the proposed Michigan Central Railway.

Sincerely,

Steward Sandstrom, CCE
President and CEO



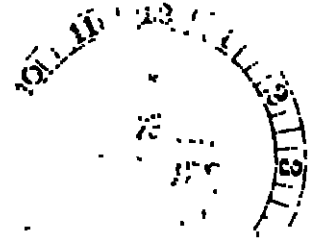
Printed on recycled paper

Exhibit F



ROBERT WEED PLYWOOD CORP.

705 MAPLE STREET • P.O. BOX 487 • BRISTOL, IN 46507-0487
(574) 848-4408 • (574) 848-7631 • FAX (574) 848-5679



August 24, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: STB Finance Docket No 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. I have met with officers from the Michigan Central who have explained their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

Overall, I believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest.

Sincerely,

John Pauwels
Director of Materials

September 18, 2007

Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

Re: STB Finance Docket No. 35063

Dear Secretary Williams:

I write to lend my endorsement for the proposed acquisition by Michigan Central Railway of certain of Norfolk Southern's lines in Michigan. I have met with officials from the Michigan Central who have explained their service plan, the investments in the track and the commitment to growing rail traffic in Michigan to meet customer needs.

Overall, I believe this new partnership will improve transportation choices in Michigan, represents an improved future for the rail lines in question, and that the transaction generally is in the public interest.

Sincerely,

Joyce Townsend


Director of Finance & Administration

National Copper Products, Inc.

415 E Prairie Ronde St.

Dowagiac, MI 49047