

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037

TELEPHONE: (202) 663-7820
FACSIMILE (202) 663-7849

William A. Mullins

Direct Dial: (202) 663-7823
E-Mail: wmullins@bakerandmiller.com

July 20, 2007

VIA E-FILING

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

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

STB Finance Docket No. 35064
Watco Companies, Inc., and Watco Transportation Services, Inc — Continuance
in Control Exemption — Michigan Central Railway, LLC

STB Finance Docket No. 35065
Norfolk Southern Railway Company — Trackage Rights Exemption — Michigan
Central Railway, LLC

Dear Secretary Williams:

I am writing on behalf of the Michigan Southern Railway Company (“MSO”) and Elkhart & Western Railroad Co. (“EWR”), Class III common carriers that are controlled by Pioneer Railcorp. On July 13, 2007, Michigan Central Railway, LLC (“Central”) filed a petition to revoke and petition for exemption involving Central’s acquisition of certain lines in Michigan. On that same date, Watco Companies, Inc., and Watco Transportation Service, Inc. (collectively, “Watco”) filed a notice of exemption to continue in control of Central should Central become a common carrier. Central and Watco jointly filed a motion for a protective order to govern sensitive materials related to both proceedings.¹ Central and Watco attached to their respective

¹ In Finance Docket Number 35065, Norfolk Southern Railway Company (“NS”) contemporaneously filed: (1) a notice of exemption encompassing its reservation of trackage rights over Central’s lines in the event that the Finance Docket No. 35063 transaction were approved, and (2) a motion for a protective order.

(and collective) filings certificates of service, which, among other things, certify that they have served these filings upon MSO via first class mail at "1318 South Johnson Road, Peoria, IL 61670," as did NS in connection with its trackage rights filing.

The service address for MSO in the July 13 filings of Central, Watco, and NS is incorrect. The correct address for MSO (and for EWR) is 1318 South Johanson Road, Peoria, IL 61670, not South *Johnson* Road. The incorrect street address in the July 13 filings may explain why MSO has not yet received its service copies by mail. MSO and EWR have contacted counsel of record for Central and Watco to advise him of the error and he agreed to send copies of the filings to the correct address. No such copies have yet been received. So as to avoid any future problems, MSO and EWR are writing now to request that the Board's service list note the correct addresses for MSO and EWR.

In addition, while the certificates of service appended to the July 13 filings anticipate MSO's participation in these proceedings, MSO and EWR hereby formally notify the Board that they be added as parties of record in Finance Docket Numbers 35063, 35064, and 35065.² In addition, MSO and EWR hereby request that Central, Watco, and NS also serve MSO and EWR with copies of any future filings in the above-referenced proceedings as well as serve copies on the undersigned counsel for both railroads.

As the attached article indicates, the transaction has generated a considerable level of concern. At present, and given the information to date, MSO and EWR share those concerns and posit that the use of the petition for exemption and notice of exemption process, rather than the application process, may not be sufficient to provide the public with an adequate opportunity to examine the transactions. Perhaps with further information these concerns may be alleviated.

If there are any questions concerning this filing, please contact me by telephone at (202) 663-7823 or by e-mail at wmullins@bakerandmiller.com.

Sincerely,



William A. Mullins
Counsel for Michigan Southern Railroad Company and
Elkhart & Western Railroad Co.

Enclosures

cc: Daniel A. LaKemper, Esq.
All Parties of Record

² If the Board requires that only one party be listed in the official Board service list as a party of record for MSO and EWR, then that person should be the undersigned counsel.



Michigan Agri-Business Association

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

www.miagbiz.org

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

FOR IMMEDIATE RELEASE

MONDAY, JULY 16, 2007

MABA Urges Feds to Protect Rail Service in Michigan

*Growing trend to turn network into short-rail lines threatens agri-business,
manufacturing and future job growth*

EAST LANSING – The Michigan Agri-Business Association today called on the federal government to act quickly to protect railroad service in Michigan and prevent the state rail system from being turned into a patch-work of short-line railroads that could ultimately become a system of high freight rates, diminished maintenance and short on being able to meet the needs of Michigan's business economy.

"Michigan needs a modern rail system to compete in today's economy, not a system that will turn our economy into a train wreck," MABA President **Jim Byrum** said. "There is a growing trend nationwide where Class One railroads – the largest railroad operators – are turning many of their lines over to short-line railroad operators, with little protection for shippers or maintenance oversight. The federal government is in position to protect our railroad system in Michigan. Washington must be our partner in strengthening agri-business, and all users of railroads going forward."

Norfolk Southern is in exclusive talks to sell or lease crucial rail lines in Michigan to Kansas-based Watco Cos., a short-line company with a reputation for abandoning lines after announcing their acquisition, including instances in Minnesota and West Virginia. Furthermore, Norfolk Southern and Watco are cutting the deal with little if any input from customers. The affected Michigan lines link Elkhart, Ind., to Detroit, and pass through Kalamazoo, Battle Creek, Jackson and Ann Arbor. The network considered for sale also includes lines from Kalamazoo to Grand Rapids, and Jackson to Lansing.

Byrum said the agricultural industry is concerned for a number of reasons:

- Watco will only operate a few miles of track in Michigan, and offer no guarantees regarding future service, maintenance or rates.
- The change could cause rail freight costs to skyrocket for agriculture, manufacturers and consumers.
- Short line operators often have lower revenue, so have fewer resources to draw on for maintenance.

MORE

Byrum called on the federal Surface Transportation Board is to speed up hearings on the issue and look into the harmful side-effects of any sale.

“Michigan agri-business is disappointed that the STB is not proceeding on this issue more quickly,” Byrum said. “The shift of Class One rail lines to a system of short-line operators unfairly picks winners and losers in businesses that are heavily reliant on rail transportation such as power plants, agricultural shippers, receivers and manufacturers. We need quick action, not more delays.”

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