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SEMCOG . . . Local Governments Advancing Southeast Michigan

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www.semco.org

September 17, 2007

Docket #: FD_35063_0

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Mr. Vernon Williams, Secretary
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001



RE Surface Transportation Board Docket No. FD_35063 Michigan Central Railway LLC-

Acquisition and Operation Exemption-Lines of Norfolk Southern Railway Company

and

Surface Transportation Board Docket No. FD_35064 Watco Companies, Inc., and Watco

Transportation Services, Inc.-Continuance in Control Exemption-Michigan Central
Railway, LLC

and

Surface Transportation Board Docket No. 35065_0, Norfolk Southern Railway

Company-Trackage Rights Exemption-Michigan Central Railway, LLC

Dear Secretary Williams:

SEMCOG, the Southeast Michigan Council of Governments is the Metropolitan Planning Organization (MPO) for Southeast Michigan. As such, it is SEMCOG's responsibility to analyze the proposed joint venture between Norfolk Southern (NS) and Watco of NS's Kalamazoo-Ypsilanti line to Watco Transportation Services for consistency with our adopted policies and plans. This is a large and complex proposal and one of the only remaining rail corridors connecting Southeast Michigan to west Michigan. While SEMCOG is concerned about the

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potential implications the transaction would have on mobility, safety, and accessibility for existing and future levels of rail freight and passenger service, we are very encouraged by NS, Watco, and Michigan Central Railroad's (MCR) efforts to address these concerns. Of particular interest is the ability and willingness of MCR, to maintain and allow for enhancement in the line's level of utility.

Specifically, our organization is working with NS to increase passenger rail service between Ann Arbor and Detroit. The project includes rail lines owned by NS, Conrail Shared Assets, and Canadian National. While the majority of the NS portion will remain in its ownership under the proposed transaction, the section between Ann Arbor and Ypsilanti will be owned and operated by MCR. SEMCOG is encouraged by NS's verbal commitment to be the lead railroad on the entire CR/NS/Watco/MCR Ann Arbor to Detroit segment and to continue to work in good faith toward implementing commuter rail improvements.

In addition, the Kalamazoo-Ypsilanti line is of concern to SEMCOG because it currently accommodates Amtrak service and is a federally designated high-speed rail corridor. In anticipation of future plans, significant public investments have been made to the infrastructure on the Amtrak-owned line west from Kalamazoo. It is our understanding that NS/Watco/MCR have been negotiating with Amtrak on specific issues related to maintenance and upgrade of the line's utility, incorporating Amtrak input into the process and dispatching concerns. It is our further understanding that a signed agreement between NS/Watco/MCR and Amtrak is imminent.

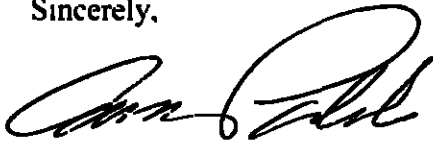
SEMCOG is also aware that documents filed with the Surface Transportation Board by NS and Watco include commitments for MCR to invest \$20 million in capital improvements in

the first 3 years of operation. We understand that these improvements will provide benefits to both freight and passenger service.

SE:MCOG is very encouraged by the efforts of NS and its partners to expedite the resolution of the concerns of Southeast Michigan, the State of Michigan, Amtrak, labor unions, and community leaders prior to, or soon after, the proposed transaction is approved. In a similar fashion, it is our expectation that NS and its partners will continue to work diligently with SE:MCOG and our partners to resolve issues related to the Ann Arbor to Detroit passenger rail project.

I thank you for your consideration of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carmine Palombo', written in a cursive style.

Carmine Palombo, P.E.
Director, Transportation Programs
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