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February 10, 2011

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VIA ELECTRONIC FILING

Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423-0001

228803
Re: STB Finance Docket Nos. 35410, 35411 and 35418

Dear Ms. Brown:

Attached for electronic filing in the above-referenced dockets are the Comments of Norfolk Southern Railway Company in response to the Board's decision served on December 28, 2010.

Thank you for your assistance.

Sincerely,


David L. Meyer

Attachment

cc (with attachment): John M. Scheib, Esq.
David L. Coleman, Esq.

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Public Record

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 35410

**ADRIAN & BLISSFIELD RAILROAD COMPANY — CONTINUANCE IN
CONTROL EXEMPTION — JACKSON & LANSING RAILROAD COMPANY**

Finance Docket No. 35411

**JACKSON & LANSING RAILROAD COMPANY — LEASE AND OPERATION
EXEMPTION — NORFOLK SOUTHERN RAILWAY COMPANY**

Finance Docket No. 35418

**JACKSON & LANSING RAILROAD COMPANY — TRACKAGE RIGHTS
EXEMPTION — NORFOLK SOUTHERN RAILWAY COMPANY**

**COMMENTS OF
NORFOLK SOUTHERN RAILWAY COMPANY**

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Attorneys for Norfolk Southern Railway Company

Dated: February 10, 2011

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 35410

**ADRIAN & BLISSFIELD RAILROAD COMPANY — CONTINUANCE IN
CONTROL EXEMPTION — JACKSON & LANSING RAILROAD COMPANY**

Finance Docket No. 35411

**JACKSON & LANSING RAILROAD COMPANY — LEASE AND OPERATION
EXEMPTION — NORFOLK SOUTHERN RAILWAY COMPANY**

Finance Docket No. 35418

**JACKSON & LANSING RAILROAD COMPANY — TRACKAGE RIGHTS
EXEMPTION — NORFOLK SOUTHERN RAILWAY COMPANY**

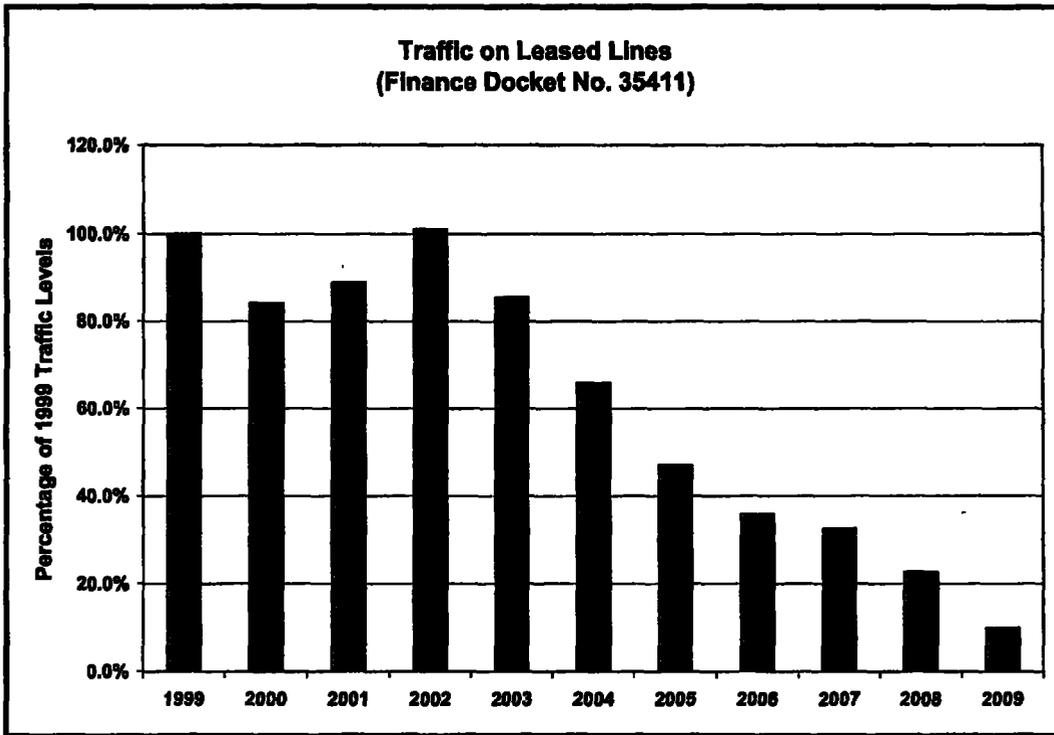
**COMMENTS OF
NORFOLK SOUTHERN RAILWAY COMPANY**

Norfolk Southern Railway Company (“NS”) submits these Comments in response to the Board’s decision served December 28, 2010. As the owner of the rail lines leased by Jackson & Lansing Railroad Company (“Jackson & Lansing”) and subject to the Board’s exemption in Finance Docket No. 35411, NS has a significant interest in this proceeding.

NS notes the Board’s interest in considering the “potential anticompetitive effect of the lease credit provision” disclosed in Jackson & Lansing’s Notice of Exemption pursuant to 49 C.F.R. § 1150.43(h). NS intends to participate in this proceeding to

address any assertions made by interested parties concerning this and other issues in the comments the Board has solicited.

NS believes its lease to Jackson & Lansing does not warrant the attention and inevitable expenditure of resources occasioned by the Board's decision to commence this proceeding. That lease, along with the related grant of incidental trackage rights, is an entirely procompetitive arm's-length transaction whereby NS hopes to improve the efficiency and customer-responsiveness of operations on this small part of NS's rail network. These lines had experienced declining traffic in recent years under NS's operation (as shown on the chart below) owing to the closure of automobile assembly and stamping plants in central Michigan. NS concluded that a lease of these lines to a shortline operator like Jackson & Lansing would both preserve the lines and simultaneously offer the best chance for reinvigorating service and traffic levels on the lines.



NS has no interest in restricting Jackson & Lansing’s ability to interchange with any carrier of its choosing, and the lease imposes no such restrictions. In fact, as Jackson & Lansing’s Notice of Exemption explains, NS offered to lease these lines in exchange for a fixed annual cash payment to NS, with no provision addressing – much less restricting – Jackson & Lansing’s interchange with other carriers. Jackson & Lansing responded to NS’s offer by asking for a way to reduce its cash payment obligations under the lease. NS responded favorably to that proposal, since a lower cash outlay would free Jackson & Lansing to devote greater resources to improving the lines’ condition and providing better service to on-line customers.¹

¹ In NS’s experience, shortlines considering whether to assume operation of light-density rail lines routinely seek to reduce their cash rental obligations. As the Board is aware, a similar set of negotiations took place between NS and Middletown & New Jersey Railroad LLC with
(footnote continued on next page ...)

The lease as executed by the parties provides Jackson & Lansing with the option it requested: Jackson & Lansing can either (a) make the full cash payment NS insisted on as the price for leasing these lines; or (b) obtain a credit against that cash rental obligation for each car that it interchanges with NS. The amount of the credit is set at a level that will reduce Jackson & Lansing's cash rental payments to a nominal \$1,000 fee if Jackson & Lansing elects to interchange with NS the same number of cars that NS handled on the lines in 2009, the year preceding Jackson & Lansing's assumption of operations.² Accordingly, even if Jackson & Lansing were to elect to offset the maximum amount of its cash rental obligation by continuing to route existing traffic via NS, the lease credit arrangement would not give Jackson & Lansing further credits for routing via NS any *additional traffic* it might succeed in generating on the lines.

Under these circumstances, NS submits that the lease credit provision is entirely procompetitive, and fosters the Board's – and NS's – goals of facilitating shortline transactions that offer the promise of preserving and improving service on light-density rail lines.

(... footnote continued from previous page)

respect to the lease of the lines addressed in Finance Docket No. 35412 – and NS similarly proposed to address that shortline's concerns by offering it a lease credit arrangement as the most effective means of lowering the shortline's cash outlays without restricting its interchange options.

² This calculation is spelled out in Section 13(a)(ii) of the Lease, a copy of which was provided to the Board with Jackson & Lansing's Notice of Exemption in Finance Docket No. 35411.

Respectfully submitted,



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Dated: February 10, 2011

CERTIFICATE OF SERVICE

I, Nicholas A. Datlowe, certify that on this date a copy of Comments of Norfolk Southern Railway Company, was served by email or first-class mail, postage prepaid, on all parties of record, specifically:

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Nicholas A. Datlowe

Dated: February 10, 2011