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**SURFACE
TRANSPORTATION BOARD**

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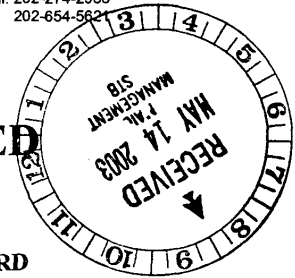
VIA HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423

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**SURFACE
TRANSPORTATION BOARD**



Re: *Kansas City Southern-- Control --The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway
Company, Finance Docket No. 34342*

Dear Secretary Williams:

I am enclosing herewith an original and 26 copies each of the Public Version of the Railroad Control Application, the Highly Confidential Version of the Railroad Control Application and the Petition to Establish Procedural Schedule submitted on behalf of Kansas City Southern, The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and The Texas Mexican Railway Company. A copy of each pleading is enclosed on floppy disks, except the tables attached to the Verified Statement of Dr. Curtis Grimm, which will be provided via email because they would not fit on a disk. Copies of these filings have been served on the parties on whom the application is required to be served and any other party requesting a copy, subject to the Protective Order.

Please acknowledge receipt and filing of the enclosed petition by receipt stamping the 26th copy thereof enclosed for that purpose and returning it to the person making the filing for return to me.

If there are any questions concerning this filing, please contact me at 202-274-2953.

Sincerely,

William A. Mullins

Enclosures

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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34342

KANSAS CITY SOUTHERN

-- CONTROL --

THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY

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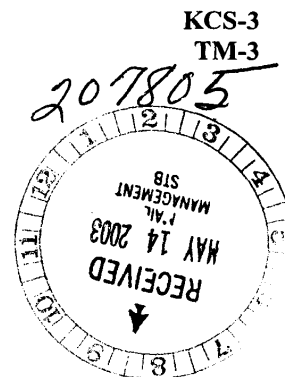
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LIST OF ACRONYMS USED IN APPLICATION

BNSF	The Burlington Northern and Santa Fe Railway Company
CCP	Chicago, Central & Pacific Railroad Company
CRR	Cedar River Railroad
CP	Canadian Pacific Railway Company
Conrail	Consolidated Rail Corporation
CSXT	CSX Transportation, Inc.
D&E	DeQueen and Eastern Railroad Company
DGNO	Dallas, Garland and Northeastern Railroad, Inc.
FSR	Fort Smith Railroad Company
FRA	Federal Railroad Administration
Grupo TFM	Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V.
TMM	Grupo TMM, S.A.
GWWR	Gateway Western Railway Company
Gateway Eastern	Gateway Eastern Railway Company
IC	Illinois Central Railroad Company
ICC	Interstate Commerce Commission
II	Iowa Interstate Railroad, Ltd.
KCS	Kansas City Southern
KCSR	The Kansas City Southern Railway Company
KRR	Kiamichi Railroad Company, L.L.C.
Mexrail	Mexrail, Inc.
MSR	MidSouth Rail Corporation
NOPB	New Orleans Public Belt Railroad
NS	Norfolk Southern Railway Company
RRIF	Railroad Rehabilitation and Improvement Financing
SRN	Sabine River and Northern Railroad Company
SP	Southern Pacific Transportation Company
STB	Surface Transportation Board
Tex Mex	The Texas Mexican Railway Company
TFM	TFM, S.A. de C.V.
TN	Texas Northeastern Railroad
TRRA	Terminal Railroad Association of St. Louis
UP	Union Pacific Railroad Company (including Missouri Pacific Railroad Company)
UP/SP	The Consolidated Rail Business Operations of UP and SP
WC	Wisconsin Central Ltd.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 34342

KANSAS CITY SOUTHERN

-- CONTROL --

**THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

RAILROAD CONTROL APPLICATION

INTRODUCTION

On April 21, 2003, Kansas City Southern ("KCS"), a non-carrier holding company that controls The Kansas City Southern Railway Company ("KCSR"), a Class I common carrier by rail, and Gateway Eastern Railway Company ("Gateway Eastern"), a Class III carrier, announced a series of agreements with Grupo TMM, S.A. ("TMM"), a Mexican non-carrier holding company, and TFM, S.A. de C.V. ("TFM"), a railroad located solely in Mexico that is jointly owned by TMM, KCS, and the Mexican government, that would, if all of the agreements are approved by the shareholders and the various regulatory agencies in Mexico and the U.S., result in KCS becoming the parent company of KCSR and The Texas Mexican Railway Company ("Tex Mex"), a Class II carrier, and TFM. If these transactions are all approved, each railroad would continue to be operated as wholly-owned subsidiaries, but they would be under the common control of KCS, which would change its name to NAFTA Rail. Common control of these railroad systems, which are already physically linked in an end-to-end configuration and

already share common ownership, would enhance competition and give shippers in the NAFTA trade corridor a strong transportation alternative for shipments to and from Canada, the U.S., and Mexico.

Under one of the agreements, TFM agreed to sell to KCS 51% of its shares of Mexrail, Inc. ("Mexrail") for \$32.7 million in cash.¹ Because this agreement was separate and apart from the series of agreements related to KCS's plans to acquire control of TFM and was not dependent upon consummation of that transaction, KCS consummated its purchase of the 51% of Mexrail's shares on May 9, 2003 and placed those shares into an independent irrevocable voting trust consistent with 49 C.F.R. § 1013. (The Voting Trust is attached hereto as Exhibit 2A). In order to dissolve that trust and take control of Tex Mex, KCS hereby submits this control application seeking authority under 49 U.S.C. Section 11323, *et seq.*, and 49 C.F.R. Part 1180, Subpart A, to acquire control of Tex Mex, while remaining in control of KCSR and Gateway Eastern.

KCSR and Tex Mex have been partners since 1995 and have connected their two systems since 1996, when this Board granted Tex Mex trackage rights in the *UP/SP* merger proceeding² to connect with KCSR to ensure effective competition for NAFTA traffic and to ensure the continued provision of essential rail services provided by Tex Mex. *See* Decision No. 44, 1 S.T.B. at 423-424; *UP/SP* Merger Voting Conference Transcript, July 3, 1996 at 20-21, 73-74, 96-99. Bringing these two systems together under common control and ownership by one company represents one more step in KCS's efforts to develop a "NAFTA Railroad" that would

¹ Mexrail is a non-carrier U.S. holding company that owns two assets: (1) 100% of the shares of Tex Mex; and (2) the U.S. portion of the bridge structure (but not the rail or associated track materials) of the International Rail Bridge over the Rio Grande River at Laredo.

² *Union Pacific Corporation, et al. - Control Merger - Southern Pacific Rail Corporation, et al.*, Finance Docket No. 32760 ("*UP/SP*"), Decision No. 44, 1 S.T.B. 233 (1996) ("Decision No. 44").

connect Canada, the U.S., and Mexico and provide seamless, efficient, and competitive rail service in all of North America.³

As detailed in the Verified Statements submitted as part of this Application, the common control of KCSR and Tex Mex will not result in any shipper or receiver losing competitive rail options. There are no two-to-one or three-to-two corridors, points, locations, or stations. Instead, there are significant pro-competitive reasons for bringing KCSR and Tex Mex under common control. The common control of KCSR and Tex Mex will provide more efficient routing and service options to shippers. Common control will allow better coordination of marketing, improve customer service, and provide financial stability to Tex Mex, which has from time to time in recent history found itself hard pressed to keep pace with the increasing traffic volumes available. In the end, common control will strengthen KCSR's/Tex Mex's ability to compete in the increasingly concentrated rail market in order to ensure effective competition for NAFTA traffic as this Board envisioned in its 1996 UP/SP merger decision.

STATUTORY FRAMEWORK

Because KCS is not a rail carrier but controls two rail carriers, KCSR and Gateway Eastern, KCS's acquisition of control of Tex Mex, through ownership of Mexrail when the voting trust is dissolved, is subject to the prior review and authorization by the Board pursuant to 49 U.S.C. § 11323(a)(5). The statutory criteria for regulatory consideration of the proposed common control are provided in 49 U.S.C. §§ 11323-11325. The transaction contemplated by this Application does not involve the merger or control of two or more Class I railroads. Instead,

³ Because KCS's purchase of Mexrail's shares has already been consummated and Tex Mex is now operating under a voting trust arrangement, KCS seeks control authority for that transaction as expeditiously as possible and has concurrently with this Application submitted a request for an expedited procedural schedule.

this transaction involves the common control of one Class I carrier, a Class II carrier, and a Class III carrier, all of which already closely cooperate and today share some common ownership.

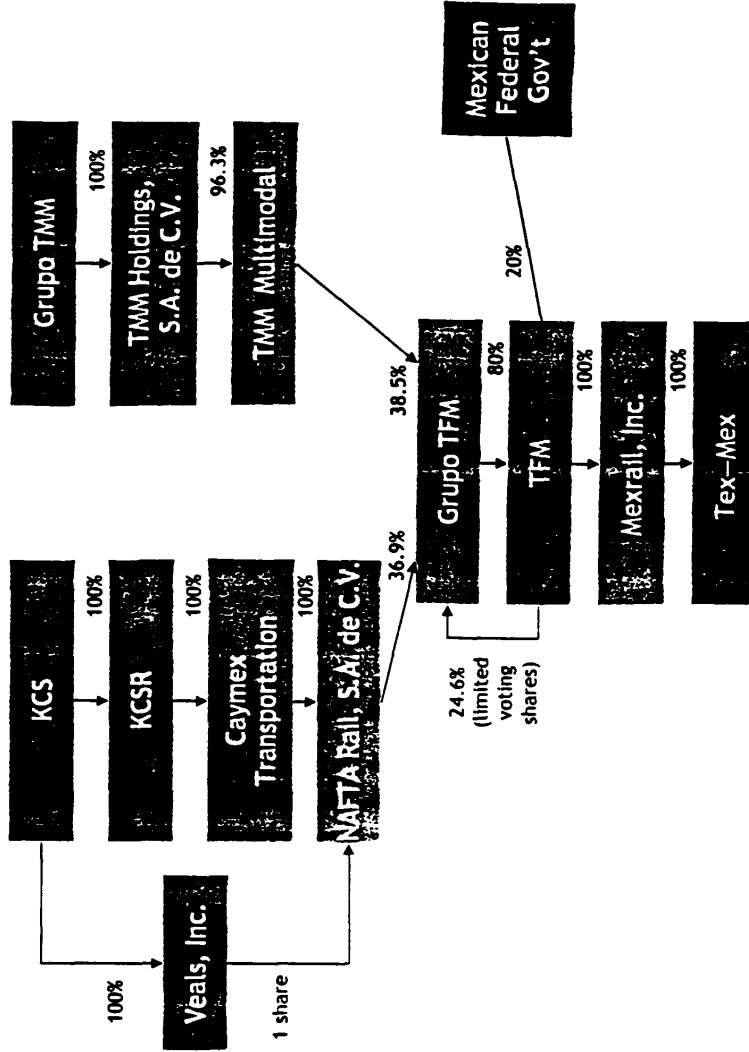
Thus, this transaction is governed by the standards of Section 11324(d).

Transactions under Section 11324(d) can be either significant, minor, or exempt. As also discussed in the corresponding petition for establishment of a procedural schedule filed contemporaneously with this Application, KCS believes that the proposed transaction is a "minor" transaction. Indeed, this transaction is quite similar to others that do not even require affirmative Board approval, such as transactions within a corporate family that qualify as "exempt," or those that do not even fall within the Board's jurisdiction, such as acquisitions of control of a single system of carriers. The similarity of this transaction to those minimally-regulated or non-regulated transactions supports classifying this as a minor transaction.

KCS and Tex Mex have, since 1996, shared common equity ownership and closely coordinated operations (although not marketing or financial functions). Indeed, currently, KCS owns an approximate 47% stake in Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. ("Grupo TFM"), which owns 80% of Tex Mex's 100% indirect parent company, TFM.⁴ Moreover, KCS's wholly-owned subsidiary, KCSR, provides a number of services to Tex Mex, including dispatching of Tex Mex's trains, coordinated operation, and management of some fleet operations issues. KCSR officers participate in decision-making for Tex Mex on a variety of levels. Officers of TFM and KCSR form the majority of the Tex Mex management committee.

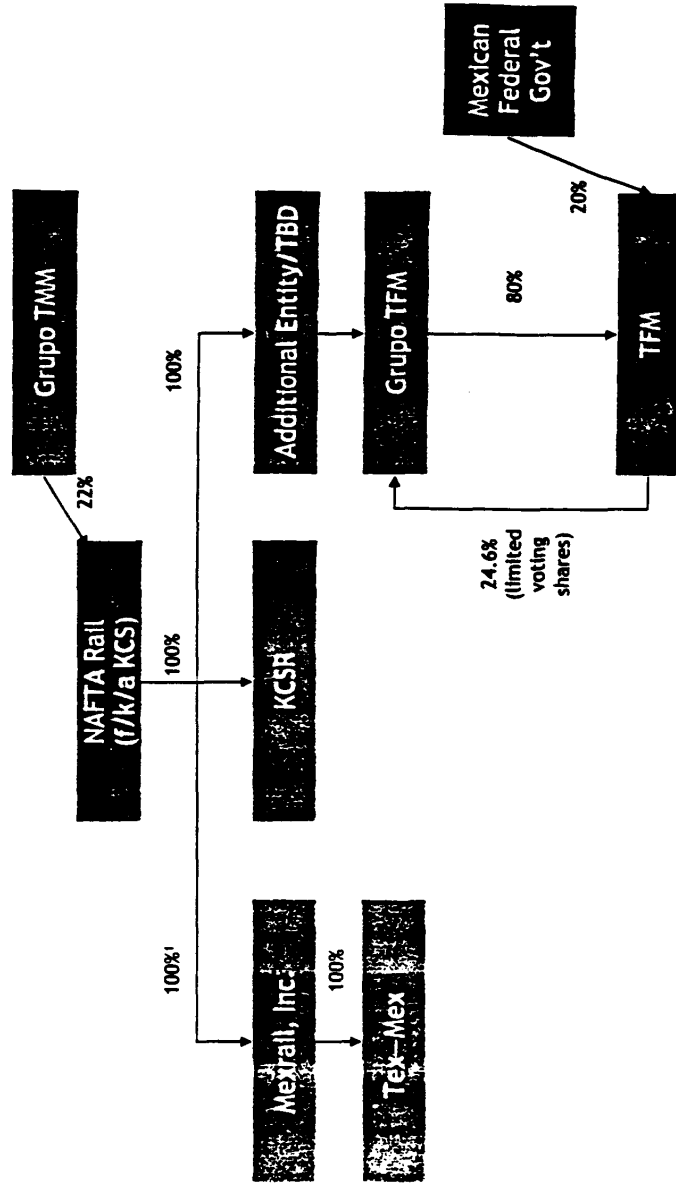
⁴ The remaining 20% direct interest in TFM is held by the Mexican Government, subject to a number of restrictions, including an obligation for Grupo TFM's owners to acquire those shares in 2003 unless the Mexican government prior to that date sells shares in a public offering. The existing and proposed corporate structure is set forth in the charts on the following two pages. (See also Appendix of Color Figures, Color Figures 1 and 2.)

Existing structure



COLOR FIGURE 1

Proposed structure



¹ At first step, KCS will purchase 51%, but the Company has a call on the remaining 49%.

COLOR FIGURE 2

KCSR officers have also assisted Tex Mex in efforts to obtain a Railroad Rehabilitation and Improvement Financing ("RRIF") loan from the Federal Railroad Administration ("FRA").

In short, KCS and Tex Mex could easily be viewed as part of the same corporate family.

Transactions within a corporate family that do not adversely affect competition or service levels are exempted from the prior approval requirements of 49 U.S.C. Section 11323, *et seq.* If KCSR and Tex Mex could be considered as part of the same "corporate family," KCS may well have been able to file a corporate family exemption notice for this transaction under 49 C.F.R. § 1180.2(d)(3) and have the entire transaction effective within seven days. *See* 49 C.F.R. § 1180.4(g)(1) (2001). Unfortunately, in establishing this exemption in 1979 and 1980, the Board's predecessor did not define what it meant by the words "corporate family" and precedent is unclear on whether or not KCSR and Tex Mex would qualify as being under the same "corporate family" so as to qualify for the exemption.⁵ Accordingly, KCSR and Tex Mex, although part of the same corporate family, have determined not to utilize that process.

Likewise, the single-system doctrine, which exempts a non-carrier's acquisition of an integrated group of carriers from Board approval,⁶ is closely analogous to this transaction.

⁵ Perhaps that specific definition was lacking because the concept of a corporate family was already well understood. For example, in 1958 the Interstate Commerce Commission ("ICC") found Wisconsin Central Ltd. ("WC") to be a member of Canadian Pacific Railway Company's ("CP") corporate family because CP and its 51%-owned subsidiary Soo Line together owned slightly more than half of WC's voting stock, while Soo Line operated WC's properties. *Minneapolis, St. P. & S.S. M. R. Co. Acquisition*, 295 I.C.C. 787 (1958). Similarly, in *Borealis Infrastructure Trust Management, Inc. - Acquisition Exemption - Detroit River Tunnel Company, et al.*, STB Finance Docket Nos. 33984, 34005 and 34007 (STB served Dec. 19, 2001), the Board found that CP's 50% ownership in the Detroit River Tunnel partnership, in conjunction with its operational involvement with the tunnel, constituted such a close affiliation as to allow an exemption from Section 11323 approval requirements.

⁶ *See generally Robert W. Bethge and Raymond K. Wilson, et al. - Control Exemption - Canal Cartage Company, et al.*, No. MC-F-19525 (ICC decided Nov. 22, 1989) (citing *Brotherhood of*

The single-system doctrine focuses on the degree of centralized operational control and coordination among the affiliated carriers. See *Fox Valley & Western Ltd. - Exemption, Acquisition and Operation - Certain Lines of Green Bay and Western Railroad Company, Fox River Valley Railroad Corporation, and the Ahnapee & Western Railway Company*, Finance Docket No. 32035 (ICC decided Dec. 4, 1992) (“[I]t is clear that, to qualify for single-system status, a degree of integration beyond mere common control is required”), and *CSX Corporation - Control - Chessie and Seaboard C.L.I., Inc.*, 363 I.C.C. 518 (1980) (emphasizing centralized planning and efforts of the system carriers to maximize system profitability). Again, because KCSR and Tex Mex have significant commonality, a strong argument could be made that KCSR and Tex Mex already constitute a single-system, but for the lack of common control. If single-system were an accurate characterization of KCSR and Tex Mex under Board precedent, the filing of a notice of exemption or a control application would not even be required. Nonetheless, despite the fact that KCSR and Tex Mex could already be considered part of the same “corporate family” or constitute a “single-system,” KCS has determined to file a Minor Application and submits that this transaction should so be found and eventually approved on an expedited basis.

In determining whether or not to approve a minor application, the STB’s primary focus must be upon the probable competitive effects, and only where significant anti-competitive effects are found are the public interest factors of Section 11324(d)(2) to be considered.

Specifically, the standard is as follows:

- (d) In a proceeding under this section which does not involve the merger or control of at least two Class I railroads, as defined by the Board, the Board shall approve such an application unless it finds that--

Ry. & Airline Clerks, et al. v. Burlington Northern Inc. and the United States, 671 F.2d 1085 (8th Cir. 1982).

- (1) as a result of the transaction, there is likely to be substantial lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States; and
- (2) the anti-competitive effects of the transaction outweigh the public interest in meeting significant transportation needs.

49 U.S.C. § 11324(d). Under this standard, to deny the application the Board must first find that there will be anticompetitive effects. Even if such anti-competitive effects exist, the Board still must approve the transaction unless such anticompetitive effects outweigh the public benefits of the transaction. In evaluating the effect on competition under Section 11324(d), the Board must find that adverse competitive impacts are both likely and substantial and that such effects outweigh any public interest benefits in order to deny the application.⁷

As set forth in the Verified Statement of Dr. Curtis Grimm ("V.S. Grimm"), Professor and Chair of Logistics, Business and Public Policy, College of Business and Management, University of Maryland, the proposed control transaction clearly will not result in a substantial lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the U.S. This transaction involves an end-to-end connection whereby two carriers, who already share common ownership and operating practices, will finally be combined under a unified management team. There are absolutely no locations, stations, points, or even corridors that will see the competitive options reduced from two-to-one, nor are there any three-to-two effects.

⁷ *Consolidated Rail Corporation and CSX Transportation, Inc. - Acquisition and Operation - Nicholas, Fayette and Greenbrier Railroad Company*, STB Finance Docket No. 32845 (STB served Feb. 15, 1996) (a minor transaction). *See also, Natchez Trace Railroad - Purchase and Lease - CSX Transportation, Inc. Lines Between Wellington and Anniston, AL and Talladega and Gantt's Jct., AL*, Finance Docket No. 31487 (ICC decided Nov. 2, 1989) (a minor transaction).

In fact, the transaction will facilitate greater coordination and efficiency for KCSR-Tex Mex service, will provide more efficient routing and service options to shippers, and will allow for better coordination of marketing and customer service functions. The transaction should also help secure the financial stability of a rail property which has, from time to time in recent history, found itself in somewhat depressed economic circumstances. In the end, the transaction should strengthen the ability of KCSR and Tex Mex to compete in the increasingly concentrated rail market, and will help in the development of international traffic moving between Mexico and the U.S. Accordingly, due to the pro-competitive nature of this transaction, this is a "minor" transaction and this Application should be approved.⁸

SECTION 1180.6(a)

**IDENTIFICATION OF APPLICANTS AND PERSONS
TO WHOM CORRESPONDENCE WITH RESPECT TO THIS APPLICATION
SHOULD BE ADDRESSED**

Applicant KCS is a non-carrier holding company that directly controls Applicant Carriers KCSR and Gateway Eastern.

Applicant Carrier KCSR is the smallest Class I railroad. KCSR owns and operates approximately 3,100 miles of main line tracks in eleven Midwestern and Southern states.⁹ It had

⁸ Concurrent with the filing of this application, KCS has also filed a Petition for Procedural Schedule requesting the Board to adopt an expedited procedural schedule and render a final decision by September 18, 2003. As set forth herein, the pro-competitive nature of this transaction justifies the adoption of the proposed procedural schedule.

⁹ KCSR also owns a non-controlling 16.6% interest in the Kansas City Terminal Railway Company. Terminal railroads in which the parties own non-controlling interests are not considered "applicant carriers." See *Union Pacific Corporation, et al. - Control Merger - Southern Pacific Rail Corporation, et al.*, 1 S.T.B. 233, 255, n. 26 (1996); *Rio Grande Industries, Inc., et al. - Purchase And Trackage Rights - Chicago, Missouri & Western Railway Company Between St. Louis, MO And Chicago, IL Waiver*, Finance Docket No. 31522 (ICC decided Aug. 16, 1989).

revenues of approximately \$566 million in 2001. The next smallest Class I railroad--CP--had operating revenues over four times those of KCSR.¹⁰

Applicant Carrier Gateway Eastern is a Class III rail carrier that owns and operates approximately seventeen miles of rail lines between East Alton, Illinois and East St. Louis, Illinois. Gateway Eastern is a wholly-owned subsidiary of KCSR.

Applicant Carrier Tex Mex is a Class II rail carrier that owns and operates 157 miles of rail line between Laredo and Corpus Christi, Texas. Pursuant to the Board's order in the *UP/SP* merger proceeding,¹¹ Tex Mex also operates over trackage rights on UP between Robstown and Beaumont, TX.

Mexrail is a non-carrier¹² holding company that owns 100% of the stock of Tex Mex. As a non-carrier, Mexrail is not an Applicant Carrier.¹³ Furthermore, Mexrail is not an Applicant Carrier because it is a holding company and does not seek to control more than one carrier.¹⁴

¹⁰ See *Railroad Facts*, 2001 Edition, Policy and Economics Department, Association of American Railroads.

¹¹ *Union Pacific Corporation, et al. - Control Merger - Southern Pacific Rail Corporation, et al.*, 1 S.T.B. 233, 255, n. 26 (1996), *aff'd sub nom., Western Coal Traffic League, et al. v. Surface Transportation Board, et al.*, 169 F.3d 775 (D.C. Cir. 1999).

¹² Mexrail has been treated as a non-carrier since its creation. The parties are aware of only one instance in which it has even been suggested that Mexrail is a carrier. See *Major Rail Consolidation Procedures*, STB Ex Parte No. 582 (Sub-No. 1) (STB served June 11, 2001), slip op. at 5, n. 9. In that case, no party suggested that Mexrail was a carrier, nor was there any rationale given for the Board's passing statement that Mexrail was a carrier. KCS and the other parties involved in this proceeding believe that Mexrail is a non-carrier, and that, therefore, authority for the Board to authorize KCS to control Mexrail, but not Tex Mex, is neither necessary nor appropriate. Nonetheless, in an abundance of caution, KCS has placed both the shares of Mexrail and Tex Mex into the voting trust.

¹³ Non-rail carriers are not considered "applicant carriers." *Major Rail Consolidation Procedures*, STB Ex Parte No. 582 (Sub-No. 1) (STB served June 11, 2001).

¹⁴ *Id.* at 114 ("We are therefore excluding from 'applicant' status any non-rail subsidiaries," citing intermediate holding companies as an example).

The business address and telephone number of the Applicant is listed below:

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SECTION 1180.6(a)(1)(i)

SUMMARY OF THE PROPOSED TRANSACTION

KCS is a non-carrier holding company that controls KCSR, which in turn controls Gateway Eastern. On April 21, 2003, KCS reached an agreement with TMM and TFM whereby KCS would acquire from TFM 51% of the shares of Mexrail, a Delaware corporation. Mexrail in turn owns 100% of the shares of Tex Mex, a Class II carrier subject to the jurisdiction of the STB. Mexrail also owns 100% of the U.S. portion of the bridge structure (but not the rail or

associated track materials) of the International Rail Bridge over the Rio Grande River at Laredo. On May 9, 2003, KCS consummated this transaction and acquired Mexrail's shares. To avoid any violation of 49 U.S.C. Section 11323, *et seq.*, KCS immediately placed the shares of Mexrail in an independent irrevocable voting trust consistent with 49 C.F.R. § 1013. Upon regulatory approval for KCS to control KCSR, Gateway Eastern, and Tex Mex, the Trust will be dissolved and KCS will take full ownership of Mexrail's shares. It is this transaction that is being submitted to the STB for approval.

KCS and TMM have also reached a series of other agreements regarding TFM. The purpose of these agreements is to bring the shareholders of TFM and the shareholders of KCS into one unified holding company. If these agreements are consummated, TFM will be brought under the common control of KCS and KCS will change its name to NAFTA Rail, which will trade, as does KCS, on the New York Stock Exchange. Under this transaction, TMM Multimodal, a subsidiary of TMM, will receive 18 million shares of NAFTA Rail representing approximately 22% (20% voting, 2% subject to voting restrictions) of the company, \$200 million in cash and a potential incentive payment of between \$100 million and \$180 million based on the resolution of certain future contingencies. Unlike the Mexrail/Tex Mex transaction, which has already been consummated, the cash payment and exchange of Grupo TFM shares for shares of KCS, as well as the change of name from KCS to NAFTA Rail, are subject to obtaining adequate financing, shareholder approval of both KCS and TMM, a Hart-Scott-Rodino filing, the approval of the Mexican Competition Commission, and the approval of the Foreign Investment Commission in Mexico. This second transaction cannot be consummated until all such

approvals have been obtained, and in fact, this second transaction is contingent upon such approvals.¹⁵

If the Board approves KCS's control of Tex Mex and the shareholders and Mexican government approve the second transaction, KCSR, Tex Mex, Gateway Eastern, and TFM will be under the common control of KCS, which will be renamed NAFTA Rail. KCS intends to operate all the carriers as separate subsidiaries under the common control of KCS/NAFTA Rail.

Because KCS's purchase of Mexrail's shares has already been consummated and Tex Mex is now operating under a voting trust arrangement, KCS seeks control authority for that transaction as expeditiously as possible. As detailed in the Verified Statements contained herein, the transaction will not result in a substantial lessening of competition, creation of a monopoly, or restraint of trade in any region of the U.S. Instead, there are significant pro-competitive reasons for bringing KCSR and Tex Mex under common control. Regardless of whether or not the TFM transaction occurs,¹⁶ the common control of KCSR and Tex Mex will provide more

¹⁵ TFM owns no U.S. property and does not operate in the U.S. As such, it has never been subject to the jurisdiction of the STB. Similarly, there is nothing in ICCTA which gives the STB authority over the common control of one U.S. carrier with a foreign carrier. *See Canadian National Railway Company and Canadian Pacific Limited - Application for Trackage Rights Over Consolidated Rail Corporation Trackage in Detroit, MI*, Finance Docket No. 30387 (Sub-No. 1) (ICC decided Aug. 29, 1984) (finding that the ICC had no jurisdiction over portions of the transaction wholly within Canada). *See also Canadian National Railway Company and Canadian Pacific Limited - Acquisition - Interests of Consolidated Rail Corporation in Canada Southern Railway Company and Detroit River Tunnel Company*, Finance Docket No. 30387, et al. (ICC decided Aug. 29, 1984); *Borealis Infrastructure Trust Management Inc., Sole Trustee of the Borealis Transportation Infrastructure Trust - Acquisition Exemption - Detroit River Tunnel Company*, STB Finance Docket No. 34005 (STB served Dec. 19, 2001).

¹⁶ The pro-competitive benefits of bringing KCSR and Tex Mex under common control are not dependent upon the benefits of the TFM transaction. In fact, assuming the STB approves the common control of KCSR and Tex Mex, the dissolution of the voting trust and common control of KCSR and Tex Mex can occur whether or not the TFM transaction has been consummated. If the TFM/KCS transaction is also approved by the shareholders and the Mexican government,

efficient routing and service options to shippers, will allow better coordination of marketing, and will strengthen Tex Mex's ability to invest in its infrastructure.

SECTION 1180.6(a)(1)(ii)

**PROPOSED TIME SCHEDULE FOR
CONSUMMATION OF TRANSACTION**

KCS proposes to consummate control of Tex Mex (through dissolution of the aforesaid independent voting trust and distribution of the Mexrail stock to KCS) as soon as a Board decision approving this Application and authorizing the proposed control transaction becomes effective. As set forth in their Petition to Establish Procedural Schedule filed contemporaneously herewith, Applicant requests that the Board adopt their proposed procedural schedule and issue a decision in this proceeding to be effective no later than September 23, 2003.

SECTION 1180.6(a)(1)(iii)

**PURPOSE SOUGHT TO BE
ACCOMPLISHED BY THE PROPOSED TRANSACTION**

Common control of KCSR and Tex Mex will position both rail systems to provide more effective service to their customers and to better compete in the increasingly concentrated rail marketplace that surrounds them. The proposed transaction will provide shippers and receivers with enhanced competition, better equipment utilization, improved plant maintenance, new opportunities for single line service, and other operating efficiencies. The proposed transaction also will help Tex Mex's financial position and ability to invest in its infrastructure. The benefits of the proposed transaction are more fully explained in Applicant's Operating Plan/Minor, Exhibit 15, and in the attached Verified Statements of Michael R. Haverty, Chairman of the

it also will enhance the ability of KCS and Tex Mex to compete for shipments into and out of Mexico.

Board, President and Chief Executive Officer of KCS, Dr. Curtis M. Grimm, Mr. Bengt Mutén, Principal, Reebie Associates, Mr. James L. Riney, General Manager, Tex Mex, Mr. Steven L. Hefley, Chief Transportation Officer, KCSR, and Emerson M. Bouchard, Vice President-Labor Relations, KCS.

Applicant estimates that common control will attract approximately 6,313 new carloads of traffic annually to the KCSR/Tex Mex system. V.S. Mutén, *infra*. Common control also will allow KCSR and Tex Mex to reduce expenses and rationalize operations. Just as importantly, the proposed transaction will help position KCSR to remain a competitive, independent and viable carrier.

SECTION 1180.6(a)(1)(iv)

**THE NATURE AND AMOUNT OF NEW
SECURITIES AND OTHER FINANCIAL ARRANGEMENTS**

The proposed transaction will not require the issuance of any new securities or any other financial arrangement requiring the Board's prior approval. As consideration for 51% of the stock of Mexrail, KCS has paid approximately \$32.7 million to TFM in cash.

SECTION 1180.6(a)(2)

PUBLIC INTEREST JUSTIFICATIONS

The provisions of 49 C.F.R. § 1180.6(a)(2) address, in general, issues which are specifically relevant only to major rail consolidation applications under 49 U.S.C. § 11324(b). The decisional criteria under 49 U.S.C. § 11324(d), which apply to minor and significant transactions, are more limited than those applicable to major mergers and focus solely upon whether the transaction will lessen competition and whether any anticompetitive effects outweigh the public interest in meeting significant transportation needs. Because this transaction will not have any anticompetitive effects, it is unnecessary to address the public interest factors.

Nonetheless, to fully comply with the regulations, KCSR and Tex Mex will provide all of the information required by § 1180.6(a)(2).

(i) **Effect of the Proposed Transaction on Competition.**

The proposed end-to-end combination of KCSR and Tex Mex under common control clearly will have no adverse impact on competition. Dr. Grimm examined all origin-destination pairs in which KCSR and Tex Mex participate and found that the common control of KCSR and Tex Mex will not result in a substantial lessening of competition, the creation of a monopoly, or a restraint of trade in freight surface transportation in any region of the U.S. *See* V.S. Grimm at 74. In fact, Dr. Grimm's analysis found that because this is purely an end-to-end transaction, there are no shippers or receivers receiving rail service from KCSR and Tex Mex for which the transaction would reduce the number of independent railroads serving them from two to one or three to two. *See* V.S. Grimm at 81. Instead, the transaction will provide benefits that should allow KCSR and Tex Mex to improve service and routing options for shippers on KCSR and Tex Mex lines.

The transaction is a classic end-to-end transaction such as this Board and its predecessor agency have consistently found as being pro-competitive in nature and in the public interest. End-to-end transactions, by definition, are unlikely to have anticompetitive effects. *Burlington Northern Santa Fe Corporation, et al. - Control - Washington Central Railroad Company*, STB Finance Docket No. 32974 (STB served Oct. 25, 1996); *Illinois Central Corporation and Illinois Central Railroad Company - Control - CCP Holdings, Inc., et al.*, STB Finance Docket No. 32858 (STB served May 14, 1996); *Dakota, Minnesota & Eastern Railroad Corporation and Cedar American Rail Holdings, Inc. - Control - Iowa, Chicago & Eastern Railroad Corporation*, STB Finance Docket No. 34178, Decision No. 7 (STB served Feb. 3, 2003).

In fact, the scope of this transaction is similar to many previously approved minor transactions and in some cases is even smaller in scope and effect than other transactions that have been characterized as minor. For example, in its transaction acquiring control of the Monongahela Railway, Consolidated Rail Corporation ("Conrail") acquired control of a carrier operating approximately 162 miles of track, with about \$43.5 million in revenues in 1990 dollars.¹⁷ By comparison, Tex Mex had approximately \$49 million in operating revenues in 2001 dollars. In another minor transaction, CSX acquired control of Indiana Rail Road, a 155-mile carrier handling about 56,000 carloads of freight.¹⁸ Indeed, Illinois Central Railroad Company's ("IC") acquisition of Chicago, Central & Pacific Railroad Company ("CCP") and Cedar River Railroad ("CRR") involved acquisition of over 800 miles of line, but nonetheless was deemed a minor transaction due to the end-to-end nature of the transaction. *See Illinois Central Corporation, et al. - Control - CCP Holdings, Inc., et al.*, STB Finance Docket No. 32858 (STB served May 14, 1996).

The transaction also is not anticompetitive because it does not call for cancellation of any cooperative agreements with other carriers.¹⁹ These agreements include a 1997

¹⁷ *See Consolidated Rail Corporation - Control - Monongahela Railway Company*, Finance Docket No. 31630 (ICC decided April 19, 1990) and *Consolidated Rail Corporation - Merger - Monongahela Railway Company*, Finance Docket No. 31875 (ICC decided June 11, 1991).

¹⁸ *CSX Corporation and CSX Transportation, Inc. - Control - The Indiana Rail Road Company*, STB Finance Docket No. 32892 (STB served Aug. 2, 1996). *See also Consolidated Rail Corporation and CSX Transportation, Inc. - Acquisition and Operation - Nicholas, Fayette and Greenbrier Railroad Company*, STB Finance Docket No. 32845 (STB served Feb. 15, 1996) (involving the division by CSXT Transportation, Inc. ("CSXT") and Conrail of about 143 miles of line after dissolution of the Nicholas, Fayette and Greenbrier); *Burlington Northern Santa Fe Corporation, et al. - Control - Washington Central Railroad Company*, STB Finance Docket No. 32974 (STB served Aug. 12, 1996) (involving BNSF's acquisition of Washington Central's 219 miles of line).

¹⁹ Because KCSR has been a minority investor in Tex Mex and because TFM and Tex Mex have been responsible for their own pricing and marketing arrangements, there may be some

NS-KCSR-Tex Mex marketing agreement (renewed in 2000 for three years) for traffic moving into Texas and Mexico, the KCSR-CN/IC Alliance, and a 2002 marketing agreement between KCSR and BNSF. If any existing agreements are going to be cancelled in the future, it will be done in accordance with the provisions of any contracts between the carriers.²⁰ These agreements provide valuable carloads to the KCSR and Tex Mex systems and form the backbone of the competitive alternative currently provided by KCSR and Tex Mex for NAFTA traffic. With these agreements, shippers have a choice and do not have to depend solely upon UP or the trucking industry for shipment of their NAFTA traffic. Indeed, KCSR intends to work with all of its connecting carriers to increase the amount of traffic flowing over the Tex Mex in order to improve Tex Mex's financial stability, which has occasionally suffered over the recent years.

The final reason why this transaction will not have an adverse impact on competition is the fact that the transaction occurs in a market where motor carriers are the dominant mode of transportation. According to data published by U.S. Department of Transportation's Bureau of Transportation Statistics ("BTS"),²¹ the value of goods moved by truck to and from Mexico during 2001 was about \$160.6 billion, whereas the value of goods moved by rail was only about \$32.4 billion. Another BTS study showed that the value of goods moving by truck between the U.S. and Mexico over Laredo in 2001 was \$55.3 billion, whereas the value of goods moved by

agreements that would not provide adequate revenues to a combined KCSR/Tex Mex system. It is KCSR's intention to honor all Tex Mex agreements upon taking common control, but any agreement that does not provide adequate revenues will be reviewed and, if necessary, cancelled pursuant to the terms of that agreement.

²⁰ See generally *Consolidated Rail Corporation - Control - Monongahela Railway Company*, Finance Docket No. 31630 (ICC decided April 19, 1990) (finding commercial agreements protecting affected carriers a factor in concluding that a transaction should be approved).

²¹ See U.S. Bureau of Transportation Statistics' *Table I-53: Value of U.S. Land Exports To and Imports From Canada and Mexico by Mode*, 2001, available at http://www.bts.gov/publications/nts/html/table_01_53.html.

rail was only \$24.2 billion.²² While there were approximately 274,000 railcar crossings of the border at Laredo during 2001, there were 1.4 million truck crossings.²³ Thus, both in terms of value and in terms of vehicle volume, truck movements dominate cross-border trade generally and even at Laredo, the major rail crossing between the U.S. and Mexico. Motor carrier dominance of the cross-border market provides a strong competitive pressure against all rail competitors, including Tex Mex and its connections.

While there will be no adverse impacts on competition as a result of the transaction, there will be pro-competitive benefits. As detailed in the Operating Plan and the Verified Statement of Mr. Steven L. Hefley ("V.S. Hefley"), the benefits of this transaction are expected to be full integration of KCS's MCS computer system, improved freight car utilization, improved performance of the locomotive fleet, closer marketing coordination, reduced time-keeping and payroll processing costs, consolidation of general and administrative functions, and greater financial stability for the Tex Mex system. The Board and its predecessor agency have identified these types of benefits as strong reasons for approving minor end-to-end transactions. *See Illinois Central Corporation, et al. - Control - CCP Holdings, Inc., et al.*, STB Finance Docket No. 32858 (STB served May 14, 1996) (better car supply availability and increased financial soundness of acquired railroads cited as benefits which helped characterize the transaction as minor), *CSX Corporation and CSX Transportation, Inc. - Control - The Indiana Rail Road Company*, STB Finance Docket No. 32892 (STB served Aug. 2, 1996) (finding potential for

²² See U.S. Bureau of Transportation Statistics' *Table - Top 10 U.S. Land Ports for North American Merchandise Trade by Surface Modes: 2000 and 2001*, available at http://www.bts.gov/PressReleases/2002/bts12_02/table3.html.

²³ See U.S. Bureau of Transportation Statistics' *Table 1-48: U.S. - Mexican Border Land - Freight Gateways: Number of Truck or Railcar Crossings, 2000-2001*, available at http://www.bts.gov/PressReleases/2002/bts12_02/table3.html.

improved marketing a factor in classifying transaction as minor), and *Burlington Northern Santa Fe Corporation, et al. - Control - Washington Central Railroad Company*, STB Finance Docket No. 32974 (STB served July 17, 1996) (finding increased operating efficiency a factor in concluding that transaction was minor).

In summary, the transaction will not result in a substantial lessening of competition, creation of a monopoly, or the restraint of trade in any region of the country. There will be no shippers or receivers who will see their competitive options reduced from two-to-one or three-to-two. The transaction contemplates continuation of all existing KCSR and Tex Mex cooperative agreements with other carriers, and the transaction will improve single-line service and reduce costs. As a result, the combined KCSR/Tex Mex system will be in a better position to provide an effective competitive alternative at Laredo.

(ii) **Financial Considerations.**

KCS has acquired 51% of the issued and outstanding stock of Mexrail for consideration of approximately \$32.7 million in cash. KCS anticipates that, as a result of the proposed common control of KCSR and Tex Mex, approximately 6,313 carloads of traffic will be diverted to the combined KCSR/Tex Mex system annually, generating annual revenues in addition to the base year revenues of KCSR and Tex Mex of approximately \$14.3 million. V.S. Mutén at 136.

In addition to these revenue increases, Applicant expects that consummation of the proposed transaction will result in net operating expense savings of approximately \$3.3 million annually. These reductions in expenses are detailed in Applicant's Operating Plan/Minor, attached hereto as Exhibit 15.

(iii) **Effect of Increase in Total Fixed Charges Resulting from the Transaction.**

Because the transaction was financed with available cash, the transaction will not result in any new debt or an increase in KCS's annual interest expense. Payment of cash proceeds to TFM did not adversely affect KCS's operations or financial position.

(iv) **Effect of the Transaction Upon the Adequacy of Transportation Service to the Public.**

The proposed transaction will improve the adequacy of transportation service to the public. Indeed, a combined KCSR/Tex Mex system will be stronger, financially and operationally, than either system could be separately. Thus, it will be better able to compete with other railroads, motor carriers and barges in providing effective and efficient service to the shipping public.

Common control will have no adverse impact on the continuation of essential transportation services by KCSR, Tex Mex or any other carrier. In fact, bringing Tex Mex under common control with KCSR will actually improve the services of Tex Mex and enhance the ability of Tex Mex to provide service to both its online shippers and its overhead shippers. As noted in the Verified Statement of Mr. James L. Riney, General Manager of Tex Mex ("V.S. Riney"), the financial condition of the Tex Mex has not been strong over the past few years. Tex Mex has suffered from slow orders, lack of adequate funding, and sometimes contradictory marketing and operating goals being pursued by KCS and TMM. Common control of KCS and Tex Mex will help eliminate these problems, thereby enhancing the ability of Tex Mex to serve the public. In short, the transaction will ensure the preservation and continued viability of Tex Mex's lines.

(v) **Effect of the Transaction on Employees.**

The effect of the Transaction on the employees of KCSR, GWER and Tex Mex is addressed in the Verified Statement of Mr. Emerson M. Bouchard.

The applicable level of labor protection for the control transaction proposed herein is that set forth in *New York Dock Ry. - Control - Brooklyn Eastern Dist. Term.*, Finance Docket No. 28250 (ICC decided Feb. 9, 1979). No employee protection agreements have been reached as of the date of this Application.

(vi) **Inclusion of Other Railroads in the Territory.**

Inclusion is not a relevant statutory consideration in this proceeding because the common control proposed herein is a minor transaction. 49 C.F.R. § 1180.4(d)(i). Compare 49 U.S.C. § 11325(b)(2) and § 11325(c)(2) with 49 U.S.C. § 11325(d). Moreover, the proposed transaction will not harm essential services provided by any carrier, so there would be no basis for ordering the inclusion of any carrier in the transaction, even if such applications were considered.

SECTION 1180.6(a)(3)

OTHER SUPPORTING INFORMATION

The Verified Statements of the following individuals are submitted with this Application:

Mr. Michael R. Haverty, Chairman of the Board, President and Chief Executive Officer,
KCS and KCSR and Chairman of the Board, Gateway Eastern
Dr. Curtis M. Grimm, Professor and Chair of Logistics, Business and Public Policy,
College of Business and Management, University of Maryland at College Park
Mr. Bengt Mutén, Principal, Reebie Associates
Mr. James L. Riney, General Manager, Tex Mex
Mr. Steven L. Hefley, Chief Transportation Officer, KCSR
Mr. Emerson M. Bouchard, Vice-President, Labor Relations, KCS

In addition to the above Verified Statements in the brief time since this transaction was announced, over fifty shippers, shortline railroads, and other parties have written letters or verified statements in support of bringing KCSR and Tex Mex under common control. Included in this group are some large users of rail services, including Dow Chemical, Huntsman Corporation, Atofina Petrochemicals and Hub Group. While some of these statements have been sent under separate cover to the Board, Applicant has attempted to collect all of the statements and submit them herein.²⁴ Given the short timeframe between the announcement of this transaction and the filing of this Application, this amount of support from the shipping and railroad community is truly a testament to the pro-competitive nature of this transaction.

SECTION 1180.6(a)(4)

OPINION OF COUNSEL

An Opinion of Counsel is attached to this Application.

SECTION 1180.6(a)(6)

MAPS - EXHIBIT 1

KCSR owns and operates approximately 3,100 miles of main and branch lines and 1,250 miles of other tracks in a ten state region that includes Missouri, Kansas, Arkansas, Oklahoma, Mississippi, Alabama, Tennessee, Louisiana, Texas and Illinois. KCSR holds a non-

²⁴ Applicants are currently in the process of collecting the statements of other shippers or receivers affected by the proposed transaction. In the interest of submitting information to the Board as quickly as possible, Applicants are including with this Application those statements received to date. If appropriate, Applicants will supplement the record with additional customer support statements.

EXHIBIT 1

MAP

(MAP WILL NOT BE
SCANNED)

Upon regulatory approval for KCS to control KCSR, Gateway Eastern, and Tex Mex, the Trust will be dissolved and KCS will take full ownership of Mexrail's shares.

KCS and TMM have also reached a series of other agreements regarding TFM. The purpose of these agreements is to bring the shareholders of TFM and the shareholders of KCS into one unified holding company. If these agreements are consummated, TFM will be brought under the control of KCS, and KCS will change its name to NAFTA Rail, which, like KCS, will trade on the New York Stock Exchange. Under this transaction, TMM Multimodal, a subsidiary of Grupo TMM, will receive 18 million shares of NAFTA Rail representing approximately 22% (20% voting, 2% subject to voting restrictions) of the company, \$200 million in cash and a potential incentive payment of between \$100 million and \$180 million based on the resolution of certain future contingencies. Unlike the Mexrail/Tex Mex transaction, which has already been consummated, the cash payment and exchange of Grupo TFM shares for shares of KCS, as well as the change of name from KCS to NAFTA Rail, are subject to obtaining adequate financing, shareholder approval of both KCS and TMM, a Hart-Scott-Rodino filing, the approval of the Mexican Competition Commission, and the approval of the Foreign Investment Commission in Mexico. This second transaction thus cannot be consummated until all such approvals have been obtained, and in fact, this second transaction is contingent upon such approvals.

SECTION 1180.6(a)(7)(ii)

AGREEMENT - EXHIBIT 2

Submitted herewith as Exhibit 2 is the Agreement entered into by KCS, Grupo TMM, and TFM on April 20, 2003. This Agreement is being submitted under seal pursuant to the terms of the Protective Order issued by the Board on May 13, 2003. Pursuant to the terms of the Protective Order, the Agreement has been designated as Confidential. Consistent with the terms

of the Protective Order, KCS has prepared three versions of this Application -- a Public Version, a Confidential Version, and a Highly Confidential Version and filed the Public and Highly Confidential versions. Pursuant to the terms of the Protective Order, parties may obtain a copy of the Confidential or Highly Confidential Version of the Application upon execution of the appropriate Undertaking prescribed in the Protective Order.

SECTION 1180.6(a)(7)(iii)

INFORMATION REGARDING THE CONSOLIDATED ENTITY

The control transaction for which approval is sought in this Application does not involve a consolidation or merger. Accordingly, this subsection is not applicable.

SECTION 1180.6(a)(7)(iv)

COURT ORDER

This subsection is not applicable to this Application because neither a bankruptcy trustee, receiver, assignee, nor personal representative of KCS, KCSR, Gateway Eastern, Mexrail, nor Tex Mex is an Applicant herein.

SECTION 1180.6(a)(7)(v)

PROPERTY INVOLVED IN THE PROPOSED TRANSACTION

The property involved in the proposed control transaction is all of the property of KCSR, Gateway Eastern, Mexrail, and Tex Mex. The involved property is described more fully in the following section.

SECTION 1180.6(a)(7)(vi)

**PRINCIPAL ROUTES, TERMINI, POINTS OF INTERCHANGE
AND MILEAGE OF THE INVOLVED LINES**

(i) KCSR:

KCSR is a Class I rail common carrier whose principal routes extend from Kansas City, Missouri via Shreveport, Louisiana, to Beaumont/Port Arthur, Texas, Lake Charles, Louisiana and New Orleans, Louisiana. It also has a route extending between Dallas, Texas and Meridian, Mississippi and a branch line route extending north out of Alexandria, Louisiana to Hope, Arkansas.

In 1993, KCSR, through acquisition and merger, joined the MidSouth Rail Corporation ("MSR") system to its system²⁵ and thereby added the following routes: between Shreveport, Louisiana and Meridian, Mississippi; between Jackson and Gulfport, Mississippi; between Meridian, Mississippi and Birmingham, Alabama; and between Corinth, Mississippi and Middleton, Tennessee and Meridian, Mississippi.

In 1997, KCSR came under common control with Gateway Western Railway Company ("GWWR") and Gateway Eastern.²⁶ In 2001, GWWR was merged into KCSR.²⁷ Gateway Eastern, however, remains a separate railroad operating company that is 100% owned by KCSR.

²⁵ *Kansas City Southern Industries, Inc., The Kansas City Southern Railway Company and K&M Newco, Inc. - Control - MidSouth Corporation, MidSouth Rail Corporation, MidLouisiana Rail Corporation, SouthRail Corporation and TennRail Corporation*, Finance Docket No. 32167 (ICC served June 4, 1993).

²⁶ *Kansas City Southern Industries, Inc., KCS Transportation Company, and The Kansas City Southern Railway Company - Control - Gateway Western Railway Company and Gateway Eastern Railway Company*, STB Finance Docket No. 33311 (STB served May 1, 1997), *pet. for reconsideration denied* (STB served Aug. 13, 1997), *pet. for emergency cease and desist order denied* (STB served Dec. 4, 1997).

²⁷ *The Kansas City Southern Railway Company - Acquisition and Merger Exemption - Gateway Western Railway Company and Kansas City Southern Transportation Company*, STB Finance Docket No. 34099 (STB served Oct. 19, 2001).

The acquisition of GWWR and Gateway Eastern and subsequent merger of GWWR into KCSR gave KCSR access from Kansas City to East St. Louis branch lines to Springfield, Illinois; Jacksonville, Illinois; and Fulton, Missouri, and haulage rights over the UP from Springfield to Chicago.

KCSR also affords service, via limited haulage rights, over UP's lines between Omaha/Council Bluffs; Lincoln, Nebraska; Topeka and Atchison, Kansas and Kansas City, Missouri; and between Beaumont and Houston/Galveston, Texas. KCSR also provides service via haulage rights over BNSF from Kansas City, Missouri to Council Bluffs, Iowa. In total, KCSR currently operates over 4,300 miles of track, of which 3,100 miles are considered main or branch line.

KCSR's major terminals are Kansas City, Missouri; St. Louis, Missouri; Shreveport, Lake Charles, Baton Rouge, and New Orleans, Louisiana; Beaumont, Port Arthur, and Dallas, Texas; and Vicksburg, Jackson, Meridian, and Gulfport, Mississippi. Its principal interchange points (with principal connecting railroads) are as follows:

- Kansas City, Missouri-Kansas (BNSF, UP, CN/IC, ICE, KCT, and NS)
- Omaha, Nebraska-Council Bluffs, Iowa (BNSF, CN/IC, IL, IS, and UP)
- Neosho, Missouri (BNSF)
- Joplin, Missouri (BNSF and UP)
- DeQueen, Arkansas (D&E)
- Ashdown, Arkansas (KRR)
- Hope, Arkansas (KRR and UP)
- Shreveport, Louisiana (UP)
- DeQuincy, Louisiana (UP)
- Lake Charles, Louisiana (UP)
- Baton Rouge, Louisiana (CN/IC and UP)
- Sallisaw, OK (UP)
- Ft. Smith, AR (FSR and UP)
- Alexandria, LA (UP)
- New Orleans, Louisiana (CSXT, CN/IC, NOPB, NS, and UP)
- Dallas, Texas (BNSF, and UP)
- Greenville, Texas (DGNO)
- Jefferson, Texas (UP)

Veals, Texas (TN)
Texarkana, Texas (BNSF and UP)
Beaumont, Texas (KCS)
Mauriceville, Texas (SRN and UP)
Port Arthur, Texas (UP)
Monroe, Louisiana (A&LM, UP)
Jackson, Mississippi (CN/IC)
Meridian, Mississippi (NS, M&B, and CSXT)
Gulfport, Mississippi (CSXT)
Corinth, Mississippi (NS)
Tupelo, Mississippi (BNSF)
Tuscaloosa, Alabama (NS)
Brookwood and Birmingham, Alabama (CSXT)
East St. Louis, Illinois (TRRA, ALS, UP, BNSF, CSXT, NS, MRS, CN/IC)
Springfield, Illinois (CN/IC, I&M, NS, UP)
Jacksonville, Illinois (BNSF)

(ii) **Gateway Eastern.**

Gateway Eastern is a class III carrier and began operations in January, 1994. It owns and operates approximately 17 miles of track between East Alton, Illinois and East St. Louis, Illinois. Gateway Eastern is primarily engaged in industrial switching in the Alton and Wood River, Illinois areas. Gateway Eastern interchanges with both KCSR and CSXT at East St. Louis.

(iii) **Tex Mex.**

Tex Mex is a Class II rail carrier that owns and operates 157 miles of rail line between Laredo and Corpus Christi. Pursuant to the Board's order in the UP/SP merger proceeding, Tex Mex also operates over trackage rights on UP between Robstown and Beaumont, TX. Tex Mex interchanges with the following railroads at the following locations:

Beaumont, Texas (KCS)
Corpus Christi, Texas (BNSF, UP)
Houston, Texas (BNSF, HBT, KCS, PTR, UP)
Laredo, Texas (TFM, UP)
Robstown, Texas (BNSF, UP)
Victoria, Texas (UP)

None of these interchanges will be impacted by this transaction.

SECTION 1180.6(a)(7)(vii)

GOVERNMENT FINANCIAL ASSISTANCE

No governmental financial assistance is involved in the proposed transaction. However, while not a part of the transaction, in October 2000, Tex Mex submitted an application for a RRIF loan from the FRA. Tex Mex is requesting a loan of approximately \$50 million for the primary purpose of improving track structure on its mainline and increasing the number of sidings. The RRIF application is still pending and continues to be subject to various amendments and changes.

SECTION 1180.6(a)(8)

ENVIRONMENTAL DATA

Under 49 C.F.R. § 1105.6(c)(2)(i), the proposed control transaction is exempt from environmental reporting requirements. The proposed transaction will not result in changes in carrier operations that exceed the thresholds established in 49 C.F.R. § 1105.7(e)(4) or (5)).

These thresholds are generally triggered if the transaction will result in either:

- (A) An increase in rail traffic of at least 100% (measured in gross ton miles annually) or an increase of at least 8 trains per day on any segment of rail line affected,
- (B) An increase in rail yard activity of at least 100% (measured by carload activity), or
- (C) An average increase of truck traffic of more than 10% of the average daily traffic or 50 vehicles a day on any affected road segment.

The thresholds will also be triggered if the action affects a nonattainment area under the Clean Air Act and will result in either:

- (A) An increase in rail traffic of at least 50% (measured in gross ton miles annually) or an increase of at least 3 trains per day on any segment of rail line affected,

- (B) An increase in rail yard activity of at least 20% (measured by carload activity), or
- (C) An average increase of truck traffic of more than 10% of the average daily traffic or 50 vehicles a day on any affected road segment.

The proposed transaction is expected to increase the annual gross ton-miles on the Tex Mex (including the trackage rights) by about 21.4% or approximately 600 million gross ton-miles. KCSR's annual gross ton-miles are expected to increase by 1.8% or approximately 789 million gross ton-miles annually. *See V.S. Mutén at 137.* This expected increase is significantly below both the attainment and nonattainment thresholds. Furthermore, all of the increased traffic resulting from the transaction can be accommodated on existing trains. *See V.S. Hefley at 166.* Therefore, this transaction will not exceed either the attainment or nonattainment threshold in part (A) above.

KCSR handled 932,399 carloads in the year 2001. Tex Mex handled 91,173 carloads in 2001. The transaction is expected to divert an additional 6,313 carloads per year to the combined system or approximately 17 or 18 carloads per day across the entire KCSR-Tex Mex system. *See Exhibit 15 - Operating Plan/Minor at 236* This is less than a 1% increase for KCSR traffic and less than a 7% increase for Tex Mex traffic. The rail yards that will be impacted by this transaction include the Kansas City yard in Kansas City, Missouri; the Bossier City yard in Shreveport, Louisiana; the Serrano yard in Laredo, Texas; and the Meridian yard in Meridian, Mississippi. None of these yards are in non-attainment areas. The Kansas City yard handles approximately 1,000 carloads per day. The Bossier City yard handles approximately 1,600 carloads per day. *See Exhibit 15 - Operating Plan/Minor at 238.* The Serrano yard handles approximately 430 carloads per day. *See Exhibit 15 - Operating Plan/Minor at 240 n. 12.* The Meridian yard handles approximately 300 carloads per day. *See Exhibit 15 - Operating*

Plan/Minor at 239 n. 11. Even if all of the diverted traffic traveled into and was switched in each of these rail yards -- which is not the case -- the environmental threshold in rail yard activity would not be reached. The increase in traffic expected at any of these yards is clearly below the 100% increase threshold. Moreover, the transaction will not result in the increase of any truck traffic.

Finally, the common control of KCSR, Gateway Eastern, and Tex Mex through stock ownership will not substantially change the level of maintenance of railroad property, although there are significant rehabilitation and improvement plans that will take place on the Tex Mex property if KCS obtains control authority. However, any rehabilitation and improvement plans on Tex Mex are not subject to environmental review by the Board. *See Burlington Northern Santa Fe Corporation, et al. - Control - Washington Central Railroad Company*, STB Finance Docket No. 32974 (STB served Oct. 25, 1996); *Union Pacific Railroad Company - Petition for Declaratory Order - Rehabilitation of Missouri-Kansas-Texas Railroad Between Jude and Ogden Junction, TX*, STB Finance Docket No. 33611 (STB served Aug. 21, 1998); *Lee's Summit MO v. STB*, 231 F.3d 39, 42-43 at n.3 (D.C. Cir. 2000); and *Salt Lake City Corporation - Adverse Abandonment - in Salt Lake City, UT*, STB Docket No. AB-33 (Sub-No. 183) (STB served March 8, 2002). As a result of the above information, which clearly supports finding that the proposed transaction will not result in changes in carrier operations that exceed the thresholds established in 49 C.F.R. § 1105.7(e)(4) or (5)), no environmental report accompanies this Application.

Under 49 C.F.R. § 1105.8(b)(1) and (3)), the proposed transaction also is exempt from historic preservation reporting requirements. Rail operations will continue after KCS's consummation of common control of KCSR and Tex Mex, and further STB approval will be

required to abandon any service. There are no plans to dispose of or alter properties subject to STB jurisdiction that are fifty years old or older. Accordingly, no historic report accompanies this Application.

In conclusion, this transaction is categorically excluded from analysis under the National Environmental Policy Act, 42 U.S.C. § 4332 and related laws because the action will have no significant effect on the human environment.

Under 49 C.F.R. Part 1106, KCS will also be filing a Safety Integration Plan ("SIP") which will explain the process by which KCS will integrate the remaining operations of KCSR and Tex Mex. KCS plans to file the SIP thirty days after this Application is filed. Since this transaction is exempt from environmental review, KCS has proposed case-specific SIP procedures, as provided in 49 C.F.R. § 1106.4(c), in KCS's concurrently filed Petition for Procedural Schedule.

SECTION 1180.8(a)(5)

DENSITY CHART - EXHIBIT 14

A gross ton-mile density chart for KCSR and Gateway Eastern setting forth density information for 2002 is presented in this Application as Exhibit 14. (*See also* Color Figure 3.)

SECTION 1180.8(c)

OPERATING PLAN/MINOR - EXHIBIT 15

An Operating Plan/Minor, prepared in accordance with 49 C.F.R. § 1180.8(c), is attached hereto as Exhibit 15. Consistent with end-to-end transactions, the benefits of this transaction are expected to be full integration of KCS' Management Control System (a computerized KCS proprietary shipment and billing management system), improved freight car utilization, improved performance of the locomotive fleet, closer coordination of marketing, reduced time-keeping and

payroll processing costs, consolidation of general and administrative functions, and stronger financial stability to the Tex Mex system. These operating efficiencies should help secure the financial stability of a rail property which has, from time to time in recent history, found itself in somewhat depressed economic circumstances.

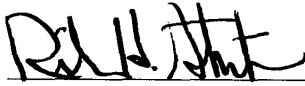
KCSR and Tex Mex expect to gain an additional 6,313 carloads of freight annually by the end of the third year following the consummation of the transaction presented to the Board in this application. That freight is expected to earn KCSR and Tex Mex, together, an additional \$14.3 million in revenues. Because this volume of traffic fits within existing KCSR and Tex Mex routes in which KCSR and Tex Mex presently have additional freight-handling capacity without adding trains, Applicant anticipates limited additional operating costs to handle this additional traffic. Furthermore, Applicant anticipates \$3.3 million in additional managerial and administrative savings to result from the grant of this application and consummation of the transaction.

CONCLUSION

Bringing KCSR and Tex Mex under common control and ownership by one company represents one more step in KCS's efforts to develop a "NAFTA Railroad" that would connect Canada, the U.S. and Mexico to provide seamless, efficient, and competitive rail service in all of North America. The common control of KCSR and Tex Mex will not result in any shipper or receiver losing their competitive rail options. There are no two-to-one or three-to-two corridors, points, locations, or stations. In fact, common control will allow better coordination of marketing and improved customer service. Common control will strengthen KCSR/Tex Mex's ability to invest in their infrastructure and improve their ability to compete for NAFTA traffic.

WHEREFORE, Applicant respectfully requests that the Board accept this Application for consideration and authorize the control transaction proposed herein.

Respectfully submitted,



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Attorney for The Texas Mexican
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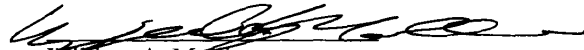
Attorneys for Kansas City Southern,
The Kansas City Southern Railway
Company, and Gateway Eastern
Railway Company

May 13, 2003

CERTIFICATE OF SERVICE

I have this day served a copy of the foregoing Application upon the governor, public service commission and department of transportation of each state where Applicant owns property, upon the Secretary of the U.S. Department of Transportation, the Attorney General of the U.S. and the Federal Trade Commission by depositing a copy in the U.S. mail in a properly addressed envelope with adequate first-class postage thereon prepaid.

Dated: May 13, 2003.



William A. Mullins
Attorney for Kansas City Southern,
The Kansas City Southern Railway
Company, and the Gateway Eastern
Railway Company

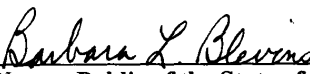
VERIFICATION
OF CHAIRMAN OF THE BOARD,
PRESIDENT AND CHIEF EXECUTIVE OFFICER OF KANSAS CITY SOUTHERN

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss:

Michael R. Haverty, being duly sworn, deposes and states that he is Chairman of the Board, President and Chief Executive Officer of Kansas City Southern, which corporation controls The Kansas City Southern Railway Company and Gateway Eastern Railway Company; that he has been duly authorized and designed by Kansas City Southern to sign, verify, and file the foregoing Application with the Surface Transportation Board; that he has examined all of the statements contained in said Application; that he has knowledge of the matters contained in that Application insofar as those matters relate to Kansas City Southern; and that all such statements made and matters set forth herein with respect to Kansas City Southern are true and correct to the best of his knowledge, information and belief.


Michael R. Haverty

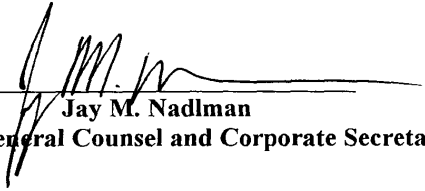
Subscribed and sworn to before me
this 12th day of May, 2003.


Notary Public of the State of Missouri

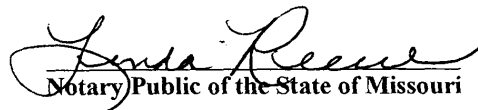
My commission expires: 10-04-03

CERTIFICATION
OF ASSOCIATE GENERAL COUNSEL AND CORPORATE SECRETARY OF
KANSAS CITY SOUTHERN

I, Jay M. Nadlman, hereby certify that I am Associate General Counsel and Corporate Secretary of Kansas City Southern, which corporation controls The Kansas City Southern Railway Company and Gateway Eastern Railway Company; and I hereby certify that Michael R. Haverty is the Chairman of the Board, President and Chief Executive Officer of Kansas City Southern and is duly authorized and designated to sign, verify, and file the foregoing Application on behalf of Kansas City Southern

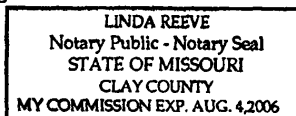

Jay M. Nadlman
Associate General Counsel and Corporate Secretary

Subscribed and sworn to before me
this 12th day of May, 2003.


Notary Public of the State of Missouri

My commission expires:

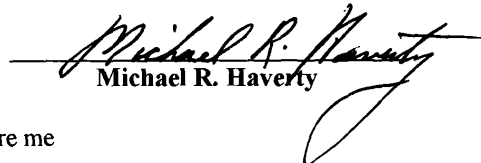
Aug 4, 2006



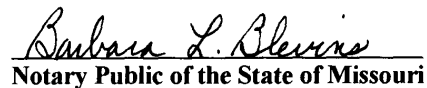
VERIFICATION
OF THE CHAIRMAN OF THE BOARD,
PRESIDENT AND CHIEF EXECUTIVE OFFICER OF
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss:

Michael R. Haverty, being duly sworn, deposes and states that he is Chairman of the Board, President and Chief Executive Officer of The Kansas City Southern Railway Company; that he is duly authorized to sign, verify, and file the foregoing Application with the Surface Transportation Board on behalf of The Kansas City Southern Railway Company; that he has examined all of the statements contained in said Application; that he has knowledge of the matters contained in that Application insofar as those matters related to The Kansas City Southern Railway Company; and that all such statements made and matters set forth herein with respect to The Kansas City Southern Railway Company are true and correct to the best of his knowledge, information and belief.


Michael R. Haverty

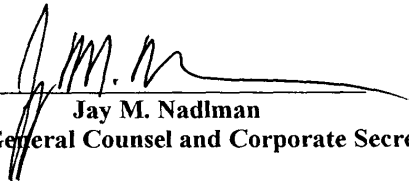
Subscribed and sworn to before me
this 12th day of May, 2003.


Notary Public of the State of Missouri

My commission expires: 10-04-03

CERTIFICATION
OF ASSOCIATE GENERAL COUNSEL AND CORPORATE SECRETARY OF
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

I, Jay M. Nadlman, hereby certify that I am Associate General Counsel and Corporate Secretary of The Kansas City Southern Railway Company; and I hereby certify that Michael R. Haverty is the Chairman, Chief Executive Officer and President of The Kansas City Southern Railway Company and is duly authorized to sign, verify, and file the foregoing Application on behalf of The Kansas City Southern Railway Company.

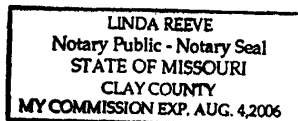

Jay M. Nadlman
Associate General Counsel and Corporate Secretary

Subscribed and sworn to before me
this 12th day of May, 2003.


Notary Public of the State of Missouri

My commission expires:

Aug 4, 2006



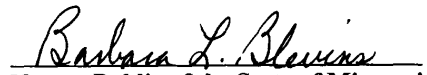
VERIFICATION
OF THE CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER OF
GATEWAY EASTERN RAILWAY COMPANY

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss:

Michael R. Haverty, being duly sworn, deposes and states that he is Chairman of the Board and Chief Executive Officer of Gateway Eastern Railway Company; that he has been duly authorized to sign, verify, and file the foregoing Application with the Surface Transportation Board on behalf of Gateway Eastern Railway Company; that he has examined all of the statements contained in said Application; that he has knowledge of the matters contained in that Application insofar as those matters related to Gateway Eastern Railway Company; and that all such statements made and matters set forth herein with respect to Gateway Eastern Railway Company are true and correct to the best of his knowledge, information and belief.


Michael R. Haverty

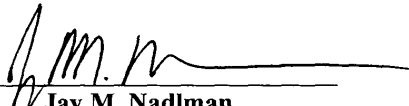
Subscribed and sworn to before me
this 12th day of May, 2003.


Notary Public of the State of Missouri

My commission expires: 10-04-03

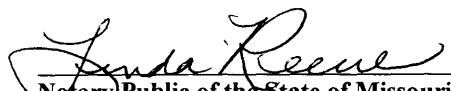
CERTIFICATION
OF VICE PRESIDENT AND CORPORATE SECRETARY OF
GATEWAY EASTERN RAILWAY COMPANY

I, Jay M. Nadlman, hereby certify that I am Vice President and Corporate Secretary of Gateway Eastern Railway Company; and I hereby certify that Michael R. Haverty is the Chairman of the Board and Chief Executive Officer of Gateway Eastern Railway Company and is duly authorized to sign, verify, and file the foregoing Application on behalf of Gateway Eastern Railway Company.



Jay M. Nadlman
Vice President and Corporate Secretary

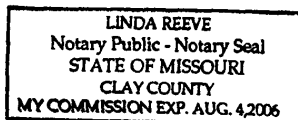
Subscribed and sworn to before me
this 12th day of May, 2003.



Notary Public of the State of Missouri

My commission expires:

Aug 4, 2006



SECTION 1180.6(a)(4)

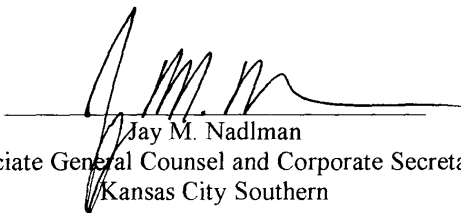
OPINION OF COUNSEL

I have reviewed the transaction described in this Application, the Articles of Incorporation, and the By-Laws of the Applicant. It is my opinion that the described transaction is within the corporate powers of the Kansas City Southern and that said Applicant is duly authorized to file this Application. It is my further opinion that the transaction meets the requirements of the law and will be legally authorized and valid, if approved by the Surface Transportation Board.

This opinion is given under the laws of the state of Missouri, the corporate laws of Delaware, and the federal laws of the United States of America. It may be relied upon and considered only by the United States Surface Transportation Board, and not by any other person or for any purpose other than this Application.

This opinion is valid as of the date given. I shall not be responsible for supplementing or updating this opinion should circumstances change in the future. This opinion is being rendered in my capacity as an officer of, and counsel to, Kansas City Southern, The Kansas City Southern Railway Company, and the Gateway Eastern Railway Company.

Respectfully submitted this 12th day of May, 2003,


Jay M. Nadlman
Associate General Counsel and Corporate Secretary
Kansas City Southern

VERIFIED STATEMENT OF MICHAEL R. HAVERTY
IN SUPPORT OF THE
RAILROAD CONTROL APPLICATION
OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY
BEFORE THE
SURFACE TRANSPORTATION BOARD
FINANCE DOCKET NO. 34342

My name is Michael R. Haverty, and I am Chairman of the Board, President and Chief Executive Officer of Kansas City Southern ("KCS"), a holding company that controls The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern"). I also serve as Chairman of the Board, President and Chief Executive Officer of KCSR and Chairman of the Board and Chief Executive Officer of Gateway Eastern.

On April 21, 2003, KCS and Grupo TMM, S.A. ("Grupo TMM") announced a series of agreements that have been approved by our respective boards of directors, and that will eventually place The Texas Mexican Railway Company ("Tex Mex") and TFM, S.A. de C.V. ("TFM") under the common control of a single transportation holding company, NAFTA Rail, to be headquartered in Kansas City, Missouri. As part of the transaction, KCS will change its name to NAFTA Rail, which will trade on the New York Stock Exchange. The KCSR will remain headquartered in Kansas City, Missouri; Tex Mex in Laredo, Texas; and TFM in Mexico City. Common Control of KCSR, Tex Mex, and TFM, which are already physically linked in an end-to-end configuration, will enhance competition, improve service, and give shippers in the NAFTA trade corridor a strong transportation alternative as they make their decisions to move goods between the U.S., Mexico, and Canada.

The combination of KCSR, Tex Mex, and TFM under the common control of NAFTA Rail really consists of two separate transactions, each having independent reasons for being undertaken and neither one being contingent upon the other. The first transaction involved KCS's purchase of 51% of the stock of Mexrail, Inc. ("Mexrail"), the parent company of Tex Mex, from TFM for consideration of \$32.7 million. Because this transaction did not require shareholder approval or additional financing, this transaction has already been consummated. To avoid KCS taking premature control of Tex Mex, the shares of Mexrail have been placed into an independent, irrevocable voting trust. In this proceeding, KCS is seeking authority under 49 U.S.C. §§ 11323-11325 to dissolve the voting trust and to directly own Mexrail and, through it, control Tex Mex, while remaining in control of KCSR and Gateway Eastern.

In the second transaction, which has not yet been consummated, KCS will acquire the shares of Grupo TFM that are currently owned by a subsidiary of Grupo TMM, the largest shareholder of Grupo TFM. Under that transaction and in exchange for selling KCS its shares in TFM, TMM Multimodal, a subsidiary of Grupo TMM, will receive 18 million shares of NAFTA Rail (*i.e.*, the renamed and recapitalized KCS), representing approximately 22% (20% voting, 2% subject to numerous restrictions) of NAFTA Rail's stock, \$200 million in cash, and a potential incentive payment of between \$100 million and \$180 million, exact amount to be based on the resolution of certain future contingencies, mainly issues involving a valued added tax ("VAT") dispute in Mexico. This second transaction is contingent upon obtaining shareholder approval, adequate financing, and approvals from the Mexican Competition Commission and the Mexican Foreign Investment Commission. This latter transaction is also subject to the Hart-Scott-Rodino process at the U.S. Department of Justice.

As KCS has already purchased the shares of Mexrail and its plans to acquire control of Tex Mex are not dependent upon successfully completing the acquisition of TFM, I am offering the testimony in this statement to explain the benefits of the consequences of bringing Mexrail and Tex Mex under the common control of KCS. Regardless of the benefits of the TFM transaction, common control of KCSR and Tex Mex, standing alone, will provide more efficient routing and service options to shippers, will lead to better coordination of marketing and customer service operations, will help secure the financial stability of a rail property, Tex Mex, which has from time to time in recent history found itself in somewhat depressed economic conditions, and will strengthen KCSR/Tex Mex's ability to compete in the increasingly concentrated rail market.

I. COMMON CONTROL OF KCSR AND TEX MEX IS DESIGNED TO ENHANCE COMPETITION

A. The Transaction Will Facilitate KCS' Efforts, Encouraged By This Board, To Develop A NAFTA Rail Network

This transaction is simply a natural evolution of KCS' actions over the past decade in creating a NAFTA railroad; efforts that were encouraged and supported by this Board. The Tex Mex became part of the KCS system in 1995 when KCS acquired 49% of the Tex Mex from TMM, Mexico's largest logistics, terminal and transportation company. In 1996, KCS and TMM were the winning bidders in acquiring ownership in TFM, the northeast portion of the government owned national railway, which was being privatized by the Mexican government.¹ TFM began operations in June 1997. As with Tex Mex, KCS was the minority investor in TFM.

¹ On December 5, 1996, pursuant to the privatization of its rail systems, the Mexican government awarded KCS and Grupo TMM the concession to lease TFM for fifty years. Currently, TFM is 80% owned by Grupo TFM, a non-carrier holding company which in turn is effectively owned 48.4% by Grupo TMM and 46.5% by KCS. TFM owns 100% of Mexrail, a non-carrier holding

KCS's ability to develop a NAFTA rail network was greatly facilitated by this agency when, to counter UP's dominance of U.S.-Mexico rail traffic resulting from the UP/SP consolidation, it granted Tex Mex trackage rights to "ensure effective competition for NAFTA traffic and to ensure the continued provision of essential rail services provided by Tex Mex." See UP/SP Decision No. 44 at 149; UP/SP Merger Voting Conference Transcript, July 3, 1996, at 20-21, 73-74, 96-99. This action allowed KCS to begin to develop its NAFTA rail system to provide an effective competitive alternative to UP.² Accordingly, since 1996, KCSR, Tex Mex, and TFM have connected their three systems, operated as partners, and have taken steps to integrate their systems to provide a NAFTA rail network.

To further facilitate the Board's objective to ensure effective competition for NAFTA traffic at the Laredo gateway and to enhance the competitiveness of the NAFTA rail network, KCSR has entered into a series of marketing agreements with other rail carriers. In 1997, NS, KCSR, and Tex Mex entered into a marketing agreement (renewed in 2000 for 3 years) for traffic moving into Texas and Mexico in order to further promote north/south trade in competition against UP and the trucking industry. In 1998, KCSR entered into an alliance agreement with the CN to connect Canadian markets with major Midwestern and southern markets in the U.S., as well as with major markets in Mexico through KCSR's connections with Tex Mex and TFM. Finally, in 2002, KCSR and BNSF entered into a marketing agreement in

company, which owns 100% of Tex Mex plus the northern half of the international rail bridge at Laredo.

² In March 2002, TMM and KCS undertook a series of corporate reorganizations. Mexrail, the holding company for the Tex Mex, was sold to TFM, in which TMM and KCS have the major ownership through owning Grupo TFM. The proposed transaction would, in a sense, undo that reorganization except that KCS would now become the majority owner of Tex Mex, rather than the minority owner.

part to jointly facilitate the development of NAFTA traffic. These agreements and other actions were done with the single purpose of enhancing competition for NAFTA traffic.

As a result of these actions, KCS, in a span of about five years, has created the "NAFTA Railway" network, spanning from Canada to Mexico. This network was created through the purchase of the Gateway Western rail system in 1997, the investment in Mexico, and a series of marketing alliances and agreements. The interesting thing to note is that KCSR added only about 450 miles of actual rail ownership to the company that it controls. The rest of the network was created through minority investments and strategic alliances.

KCS has done all that it could, short of a merger or common control transaction, to increase revenues and develop a NAFTA network. However, in order to increase the ability of KCSR and Tex Mex to compete against the larger systems and the trucking industry, ensure the long term financial viability of Tex Mex, and eliminate disparate goals that sometimes result from having two separate owners, the solution became evident: KCS, Tex Mex and TFM must become unified under one common management. The first step of this objective, and a step that has already been consummated, is the purchase of Mexrail and Tex Mex from TFM. By undertaking this transaction, it is KCS's goal to continue to focus our energies on keeping KCSR a strong, reliable carrier, one with a proud heritage and a challenging future. Purchasing control of Tex Mex is just another step in maintaining KCS's independence and ensuring that the competition provided by KCSR to the larger systems is not lost in another mega-merger.

B. The Proposed Transaction Has No Anticompetitive Effects

The proposed common control of KCSR and Tex Mex will have absolutely no anticompetitive effects. As we understand the Board's rules and regulations with respect to this transaction, the STB's primary focus must be upon the probable competitive effects, and only where significant anti-competitive effects are found are the benefits to be considered. In this transaction there is no likelihood that competition will be substantially lessened or that other anticompetitive consequences will materialize. Instead, there are only benefits to the public of bringing KCSR and Tex Mex together, such as providing more efficient routing and service options to shippers, better coordination of marketing, and improving the financial condition of Tex Mex.

There are many reasons why we believe this transaction will only enhance competition without reducing or eliminating competition in any manner: (1) the end-to-end relationship of Tex Mex and KCSR means that no shipper will lose its existing competitive options; (2) the existing close working relationship between KCSR and Tex Mex; combined with existing commercial agreements with other carriers means that shippers will continue to have viable routing options available; and (3) common control will result in certain pro-competitive benefits that will provide an efficient routing capable of attracting new traffic and enhancing competition.

1. No Shipper Will Lose Existing Competitive Options

As carriers with only an end-to-end connection, KCSR and Tex Mex do not currently compete against each other for any traffic and only connect at one location, Beaumont, TX. Beaumont is the connecting point between the two carriers and is not a location where Tex Mex and KCSR compete. Indeed, Tex Mex is KCSR's primary partner for shipments going to and

from Mexico and one of the major purposes of this transaction is to enhance the ability of KCSR and Tex Mex to compete with other railroads and the trucking industry for shipments to and from Mexico. As we understand previous decisions, the Board has oftentimes stated that end-to-end transactions, by definition, seldom create competitive concerns. We would argue that this is particularly true in this case where the transaction involves two carriers who already closely work together, share common equity ownership, and already serve as joint venture partners. Likewise, Dr. Curtis Grimm informs us that there are no locations where a shipper will see its competitive options reduced from two to one or from three to two. The end-to-end nature of the transaction and the fact that no shipper will see a loss in its competitive options clearly establishes that the transaction meets the statutory standards and should be approved.

2. KCSR And Tex Mex Will Continue To Work With Other Carriers

Because KCSR and Tex Mex already share some common ownership and common operating practices, KCSR has worked hard to try and increase the amount of traffic flowing over the Tex Mex system. To do so, KCSR and Tex Mex entered into numerous pro-competitive marketing arrangements with other carriers, including NS, CN, and BNSF. These agreements include the 1997 NS-KCSR-Tex Mex marketing agreement (renewed in 2000 for 3 years) for traffic moving into Texas and Mexico, the KCSR-CN/IC Alliance, and the current KCSR-BNSF marketing alliance. These agreements provide U.S./Mexico shippers with a viable alternative to other U.S. carriers, as well as help our railroad compete against the trucking industry. These agreements provide valuable carloads to the KCSR and Tex Mex systems and form the backbone of the competitive alternative provided by the NAFTA rail network. We will not cancel any of

these agreements and they will continue. Their cancellation would be contrary to the fundamental purposes of the creation of the NAFTA network.³

That KCSR and Tex Mex entered into these agreements while affiliated with each other shows that increased KCS ownership of Tex Mex will not prevent Tex Mex or KCSR from entering into additional, pro-competitive arrangements where such arrangements benefit all of the carriers involved. We intend to continue to enter into such arrangements in the future. In fact, with 100% ownership, it is in KCS's own interest to try to get as much traffic as possible over the Tex Mex line. Another reason why the transaction is not anticompetitive is because cancellation of any cooperative agreements with other carriers where those agreements today provide traffic to Tex Mex on an economical basis is not contemplated.

In short, bringing KCSR and Tex Mex under common control will have absolutely no anticompetitive impacts. There are no shippers who will see their routing options reduced from two to one or even from three to two. Instead, the transaction will provide more efficient routing and service options to shippers and strengthen KCSR/Tex Mex's ability to compete in the increasingly concentrated rail market.⁴

³ There may be some agreements specific to Tex Mex and other carriers not involving KCSR that would not provide a combined KCSR/Tex Mex with sufficient revenues to cover costs. It is KCSR's intention to honor all agreements upon taking common control, but any agreement that does not provide enough revenues to cover costs, although honored under its terms, will, upon expiration, be renegotiated or not renewed.

⁴ Despite the Board's decision granting Tex Mex trackage rights to connect with KCSR and BNSF to ensure effective competition to UP at the Laredo gateway and the efforts by KCSR and BNSF to provide UP with that competition, UP continues to dominate the rail market share of cross-border traffic at Laredo, with the trucking industry playing the largest role, moving more traffic than UP, KCS, BNSF, and Tex Mex combined. Of this rail traffic, Dr. Grimm informs me that UP's rail market share is approximately 91% for northbound traffic and 76% for southbound traffic. The transaction is intended to enhance KCSR/Tex Mex's ability to compete against the larger systems and especially to provide a stronger alternative for the U.S./Mexico trade market.

II. COMMON CONTROL OF KCSR AND TEX MEX WILL PROVIDE BENEFITS TO THE SHIPPING PUBLIC

Because the transaction will not result in any anticompetitive effects and is in fact pro-competitive in nature, it should be approved without the need to balance the public benefits against any anticompetitive effects. Nonetheless, the proposed transaction promises public benefits from improved efficiencies and enhanced marketing opportunities. These benefits will foster competition.⁵

As in any end-to-end transaction, especially ones involving carriers that already closely coordinate operations, the benefits of common control tend to be incremental. Indeed, today KCSR provides a number of services to Tex Mex, from dispatching to management of locomotive and car supply to advice on maintenance-of-way procedures. KCSR officers participate in decision-making for Tex Mex on a variety of levels. In addition, KCS, TFM, and Tex Mex have significant operational coordination. Officers of TFM and KCSR form the majority of the Tex Mex management committee. TFM personnel control the marketing and financial aspects of Tex Mex and have the majority ownership of shares and Board members, but KCSR provides significant operational support, from scheduling coordination and car blocking to dispatching coordination.

Because KCSR and Tex Mex already closely coordinate operations, complete common control will not fundamentally change the operating relationships between KCS, Tex Mex, and other carriers. This again reflects that fact that the proposed transaction will not have any

⁵ The benefits of bringing KCSR and Tex Mex under common control are not dependent upon consummation of the TFM transaction. To the extent the TFM/KCS transaction is approved, it will only further enhance the ability of KCS and Tex Mex to provide an effective competitor for NAFTA traffic.

adverse effects on shippers. Nonetheless, common control of KCSR and Tex Mex should result in coordinated marketing, improved operating coordination, and improved customer service.

A. Common Control Should Reduce Costs

Over the past few years, KCSR has taken a larger role in aiding Tex Mex's operations. For example, currently KCSR handles some of Tex Mex's fleet management issues. Tex Mex's operations center has been transferred to KCSR's operation center and KCSR pre-blocks trains for Tex Mex. KCSR also handles Tex Mex's dispatching. Most of these functions centered around operating synergies.

Despite these close operating coordinations, at no time has KCS or KCSR controlled the management, the financial arrangements, the marketing arrangements, or the pricing of Mexrail or Tex Mex. It is in these areas where we can expect further efficiencies, cost savings, and synergies.

Common control should allow us to achieve savings from the complete elimination of duplicative administrative functions, general overhead, and duplicative computer systems. Combining the computer systems will not only result in savings, but will finally allow KCSR and Tex Mex the complete ability to coordinate crew consists, timetables, car supply, equipment usage, billing practices, and customer information and services. We will also implement joint procurement of equipment, supplies, and others needs. Furthermore, while KCSR manages Tex Mex's car supply and locomotive fleet, those fleets are not combined with KCSR's fleet and are not always interchangeable. Common control will bring both KCSR's and Tex Mex's fleet into one pool and allow the entire pool to be better managed across both systems. These are just some of the areas where we believe combining the two systems will reduce costs and increase efficiencies. A more detailed discussion of the operating and cost efficiencies is contained in the

operating plan and in the Verified Statement of Steven L. Hefley. I have reviewed the operating plan and Mr. Hefley's statement and concur in its findings.

B. Bringing Mexrail and Tex Mex Within the KCS Family
Should Provide Financial Stability To Tex Mex

Even though KCS and its Canadian and Mexican partners have built the NAFTA network, Tex Mex itself has struggled in recent years to keep up with the growing volume of NAFTA trade. In recent years, slow orders on Tex Mex track and congestion on UP's lines used by Tex Mex via Tex Mex's trackage rights have hampered the timeliness of Tex Mex's service and have cost it and KCSR business.⁶ One of the results of these and other problems has been that Tex Mex suffered substantial operating losses in 2000 and 2001. Many of these were due to inefficiencies and added expenses resulting from wear on Tex Mex's track and operational reliability problems on UP's lines used by Tex Mex resulting in increased costs and poor service by Tex Mex. Initial steps to remedy the problems on Tex Mex's line were taken in 2001, and Tex Mex's results showed some improvement in 2002. Nevertheless, additional investment is needed both on Tex Mex's own tracks and on UP's lines to improve Tex Mex's operating efficiency going forward.

To fund investments on its lines, Tex Mex is seeking a RRIF loan from the Federal Railroad Administration ("FRA") to finance a majority of the main line rehabilitation project. KCS believes that bringing Tex Mex under common control with KCSR will facilitate obtaining that loan, as KCS is likely to be a co-guarantor on that loan. In addition to the RRIF loan, KCS will provide additional capital as necessary to improve Tex Mex's efficiency. Absent common

⁶ In addition, because Tex Mex is co-owned by two different companies, headquartered in different countries and subject to different economic conditions, there have in the past sometimes been different growth objectives for Tex Mex's operations and different needs and abilities to fund Tex Mex's growth needs. Approval of this transaction should eliminate these problems.

control, KCS would be unlikely to provide this capital as the majority of benefits would accrue to other entities. Likewise, because KCS did not have to incur any debt to acquire the majority of Mexrail's shares, a substantial portion of the additional revenues generated by common control will go to investment into infrastructure, rather than debt reduction.

These three sources of new capital should provide enough resources to significantly improve transit times and improve service on the portion of the route owned by Tex Mex. In turn, Tex Mex will see a significant improvement in its operating costs as train operating speeds increase, slow orders are eliminated, re-crew rates drop and other savings accrue. In addition, because the needed track work will restore Tex Mex's operational reliability, Tex Mex expects to be able to recapture traffic that formerly moved over Tex Mex's line, traffic that was lost in recent years due to operational reliability problems. It will also allow management to concentrate on the operational and capacity problems related to operating over UP's lines.

C. Common Control Will Allow The Two Systems
To Provide Better Marketing And Service

Because KCSR and Tex Mex do not currently completely coordinate marketing, pricing, and service functions, these areas provide the best opportunity to enhance the ability of KCS and Tex Mex to compete through better coordination of marketing and rate practices, increased access to capital, and improved transit times. Only through combined control can KCSR and Tex Mex reach their true potential in developing international traffic moving between Mexico and the U.S. Today, there is no longer a Canadian market, a U.S. market, and a Mexican market. Instead, these economies have become interdependent. In return, shippers are demanding better integrated rail service. While KCSR has attempted to provide that service, the fact that KCSR, Tex Mex, and TFM were not in the same corporate family has prevented our systems from truly operating as one.

Indeed, with this transaction, shippers will be one step closer to getting pricing and system information from one source and, in conjunction with our alliance agreement with CN, eventually have operations and pricing coordinated from Canada to Mexico. In this way, KCS and Tex Mex, in conjunction with TFM, can achieve their vision of becoming the most competitive route available for NAFTA traffic.

In fact, common control, in conjunction with the existing commercial arrangements, will result in additional revenues as the combined system will provide a very competitive route for shippers and receivers who ship to and from Mexico. The extent to which KCS and Tex Mex should be able to attract additional traffic to the two systems is discussed in Mr. Mutén's statement; however, he has informed us that placing KCSR and Tex Mex under common control, in combination with the existing commercial arrangements with CN and NS, should add an additional \$ 14.3 million of revenue to the systems. Much of this revenue is due to the fact that for the first time, NS, KCSR, and Tex Mex should be able to fully utilize the arrangements that they first put in place back in 1997 and recently renewed. In short, this transaction not only will not harm competition, but it will enhance competition, reduce costs, and give Tex Mex access to greater resources and connections that are not now available to it. U.S. shippers and the nation as a whole will benefit from solidifying this important NAFTA link.

D. Common Control Will Be Implemented Safely
And Without Service Disruptions

KCSR is committed to running safe operations, and safety will be a top priority throughout and after the implementation process. We give this Board our assurance that the implementation of this transaction will be done safely and that the two systems will continue to improve their safety record. Given that our two systems are already coordinated, we do not expect any safety or service problems during implementation.

Over the past decade, KCS has implemented two control transactions, MidSouth and Gateway Western, without any safety or service problems. As such, we have the experience and the record to successfully implement this transaction without safety or service problems. We can assure this Board that all of our customers will have rail service as good as -- or better than -- the service they now receive from these two systems.

KCS's safety vision is a culture where safety is a value, not a priority that is subject to change. Over the past six years, KCS has received numerous E.H. Harriman Memorial Safety Awards including Bronze in 1996, 1997 and 1998; Silver in 1999; and Gold in 2000 and 2001. Tex Mex received a gold award in 1996, Bronze in 1997 and Silver in 1998. KCS is committed to making operations on all of its commonly controlled railroads reach the goal of the safest rail system in North America. Furthermore, KCS supports the FRA sponsored Safety Assurance and Compliance process. KCS is committed to this process, which involves cooperation between FRA, KCS and labor in improving railway safety. In furtherance of KCS's commitment to safety, KCS will also be filing a Safety Integrated Plan with the FRA and the Board detailing the process by which KCS will safely integrate the remaining operations of KCSR and Tex Mex.

Not only will this transaction be implemented in a safe manner, there will also not be service disruptions by bringing these two systems under common control. KCS's and Tex Mex's

management and employees recognize that good service, with an emphasis on safety, is essential to a competitive rail business. KCS's acquisition of control of Tex Mex will not cause rail service to any shipper on either rail system to decline. This transaction is entirely end-to-end. KCS and Tex Mex already operate as joint partners and coordinate many aspects of their operations. In fact, as discussed in the Operating Plan, the modest traffic diversions expected from the transaction can be accommodated by existing trains. Operations on both systems will be conducted by the same people both before and after the transaction. All of these factors support my assertion that rail service will be equal or improved after this transaction.⁷ Most importantly, bringing these systems under common control and ownership is one more step in KCS's efforts to develop a "NAFTA Railroad" that will provide seamless, efficient, safe, and competitive rail service in North America.

SUMMARY

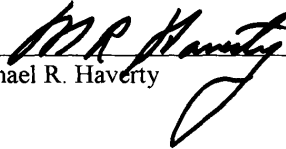
In summary, placing KCSR and Tex Mex under common control, regardless of whether or not we also successfully complete the TFM transaction, constitutes a sound and rewarding investment. The transaction will not result in the elimination of even one competitive routing for shippers. It will provide more efficient routing and service options to shippers, attract additional revenues due to more efficient routings and better coordination of marketing and operations, and will strengthen KCSR/Tex Mex's ability to compete in the increasingly concentrated rail market.

⁷ Indeed, as just one example of further planned improvements in service, KCS will be implementing its computerized Management Control System ("MCS") on Tex Mex which will provide Tex Mex with better shipment management capabilities and provide Tex Mex shippers more timely and accurate information on shipment status. While KCS did experience a period of service disruption on its system when it implemented MCS, we have analyzed the causes of those implementation problems and have implemented processes to avoid such problems in the future. As a result of our experience, we will not suffer the same implementation problems when we bring Tex Mex into the system. The MCS system is now working as intended and service has improved dramatically.

Common control should also allow both systems to reduce costs and provide better information to our customers through implementation of KCSR's computer system. Finally, bringing Tex Mex under common control with KCSR will help secure the financial soundness of Tex Mex. This increased financial soundness will allow Tex Mex to improve its track structure, reduce transit times, and gain back business that it has lost over the past few years. Accordingly, we urge the Board to promptly consider and grant this Application.

VERIFICATION

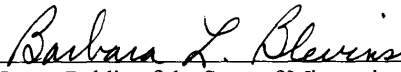
I, Michael R. Haverty, verify under penalty of perjury that I have read the foregoing statement and that it is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.



Michael R. Haverty

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

Subscribed and sworn to before me
this 12 day of May 2003.



Notary Public of the State of Missouri

My commission expires: 10-04-03

VERIFIED STATEMENT OF CURTIS M. GRIMM

**IN SUPPORT OF THE
RAILROAD CONTROL APPLICATION
OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34342

Qualifications

My name is Curtis M. Grimm, and I am Professor and Chair of Logistics, Business and Public Policy, Robert H. Smith School of Business, University of Maryland at College Park. I have been a member of this College since 1983. I received my B.A. in economics from the University of Wisconsin-Madison in 1975 and my Ph.D. in economics from the University of California-Berkeley in 1983. My Ph.D. dissertation investigated the competitive impacts of railroad mergers.

Pursuant to my background, I have extensively addressed public policy issues regarding transportation, including those examined in Interstate Commerce Commission ("ICC") and Surface Transportation Board ("STB" or "Board") merger and control proceedings. I have previously participated in several ICC and STB proceedings, including competing bids from Burlington Northern, Inc. ("BN") and the Soo Line Railroad Company ("Soo Line"), Chicago, Milwaukee, St. Paul and Pacific Railroad Company ("Milwaukee Road"), and the Chicago and North Western Transportation Company ("CNW") for the Green Bay and Western Railroad

("GBW"),¹ the Union Pacific Corporation ("UP")/Missouri Pacific Corporation ("MP")/The Western Pacific Railroad Company ("WP") merger ("UP/MP/WP merger"),² the Wisconsin Central Transportation Corp. ("WCL")/Fox Valley & Western Ltd. ("FV&W") merger ("WCL/FV&W merger"),³ the UP/Southern Pacific Railroad Corporation ("SP") merger ("UP/SP merger"),⁴ and The Kansas City Southern Railway Company ("KCSR")/ Gateway Western Railway Company ("GWR") merger ("KCSR/GWR merger").⁵ Specifically, I provided testimony evaluating the competitive consequences of these transactions.

My research has involved deregulation, competition policy, competitive interaction and management strategy, with a strong focus on transportation. This research has resulted in over 60 publications, including articles in leading journals such as *Journal of Law and Economics*, *Transportation Research*, *Transportation Journal*, *Logistics and Transportation Review*, *Academy of Management Journal*, *Management Science*, *Strategic Management Journal*, and *Journal of Management*. More than two dozen publications have dealt specifically with the

¹ *Burlington Northern, Inc. -- Control Through Acquisition of Securities of -- Green Bay and Western Railroad Company*, Finance Docket No. 27770, 354 I.C.C. 458, 1977 ICC LEXIS 81 (ICC decided July 8, 1977).

² *Union Pacific Corporation, et al. -- Control -- Missouri Pacific Corporation and Missouri Pacific Railroad Co.*, Finance Docket No. 30000, 366 I.C.C. 459, 1982 ICC LEXIS 18 (ICC decided Sept. 24, 1982).

³ *Wisconsin Central Transportation Corp., et al. -- Continuance in Control -- Fox Valley & Western Ltd.*, Finance Docket No. 32036, 1992 ICC LEXIS 279 (ICC decided Dec. 30, 1992).

⁴ *Union Pacific Corp., et al. -- Control & Merger -- Southern Pacific Rail Corp., et al.*, 1 S.T.B. 233 (1996) [hereinafter, "Decision No. 44"].

⁵ *The Kansas City Southern Railway Company -- Control -- Gateway Western Railway Company and Gateway Eastern Railway Company*, STB Finance Docket No. 33311, slip op. at 4 (STB served May 1, 1997).

railroad industry, mainly dealing with economic and public policy issues. I have also co-authored four monographs. Further details may be found in the attached curriculum vitae.

In summary, I have extensively researched and evaluated the competitive impacts of railroad mergers, and I have directly participated in several ICC and STB merger and control proceedings. In preparing my testimony in this proceeding, I have drawn on this experience and have analyzed a number of sources of data. A complete curriculum vitae is attached hereto as Appendix 1 to my statement.

Background And Summary

Kansas City Southern ("KCS") and Grupo TMM, S.A. ("Grupo TMM") recently announced a series of agreements that would, if successfully approved by shareholders and regulatory agencies, place KCSR and The Texas Mexican Railway Company ("Tex Mex"), and TFM, S.A. de C.V. ("TFM") under the common control of a single transportation holding company, NAFTA Rail, to be headquartered in Kansas City, Missouri. As part of the transaction, KCS will change its name to NAFTA Rail, which will trade on the New York Stock Exchange. As I understand it, the combination of KCSR, Tex Mex, and TFM under the common control of NAFTA Rail really consists of two separate transactions, each with their own timetables and separate regulatory processes, with neither one of them being contingent upon the other. From what I understand, the first transaction, which has already been consummated, involved the purchase by KCS of 51% of the stock of Mexrail, Inc. ("Mexrail"), the parent company of Tex Mex, from TFM for consideration of approximately \$32.7 million. In the second transaction, which has not yet been consummated, KCS will acquire all of the shares of Grupo Transportación Ferroviaria Mexicana, S.A. de C.V. ("GTFM") that are currently owned by Grupo TMM, representing approximately 38.5% of the shares of GTFM. KCS currently

indirectly holds approximately 36.9% of the shares of GTFM, with an economic interest in GTFM of approximately 46.5%. This second transaction is subject to shareholder approval, approval from the Mexican Competition Commission, approval from the Foreign Investment Commission in Mexico, and is subject to the Hart/Scott/Rodino process at the United States Department of Justice ("DOJ").

As KCS has already purchased the shares of Mexrail and its plans to acquire control of Tex Mex are not dependent upon successfully completing the acquisition of TFM, I was asked by KCS to perform an economic analysis of KCS exercising common control over KCSR, GWER and Tex Mex, with particular emphasis on the impact on competition. My analysis has shown that the control transaction, which is entirely end-to-end in nature, would result in no anticompetitive effects. There would be no locations or routing options that would be reduced from two-to-one or even from three-to-two. Instead, in my opinion, the transaction is pro-competitive in nature and should provide benefits of more efficient routing and service options to shippers; allow for better coordination of marketing and operations; and should strengthen KCSR's/Tex Mex's ability to compete in the increasingly concentrated rail market.

Analysis

I. THE TRANSACTION WILL NOT RESULT IN A SUBSTANTIAL LESSENING OF COMPETITION, CREATION OF A MONOPOLY, OR RESTRAINT OF TRADE IN FREIGHT SURFACE TRANSPORTATION IN ANY REGION OF THE UNITED STATES

Because KCS already controls two carriers, KCSR and GWER, KCS's acquisition of control of Tex Mex is subject to the prior review and authorization by the Board pursuant to 49 U.S.C. § 11323(a)(5). The statutory criteria for regulatory consideration of the proposed common control are provided in 49 U.S.C. §§ 11323-11325. The transaction contemplated by this Application does not involve the merger or control of two or more Class I railroads. Instead,

this transaction involves the common control of one Class I carrier, one Class II carrier, and one Class III carrier, all of which already closely cooperate and today share some common ownership. Thus, this transaction is governed by the standards of 49 U.S.C. § 11324(d), which provides as follows:

(d) In a proceeding under this section which does not involve the merger or control of at least two Class I railroads, as defined by the Board, the Board shall approve such an application unless it finds that--

- (1) as a result of the transaction, there is likely to be substantial lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States; and
- (2) the anticompetitive effects of the transaction outweigh the public interest in meeting significant transportation needs.

Under this standard, to deny the application, the Board must first find that there will be anticompetitive effects and, even if such anticompetitive effects exist, the Board must then nevertheless approve the transaction unless such anticompetitive effects outweigh the public benefits of the transaction.

With the assistance of Reebie Associates, I have analyzed the common control of KCSR and Tex Mex railroads under this standard. At the outset, it is important to note that, in light of the end-to-end nature of the transaction and substantial equity interest in Tex Mex and coordination between KCSR and Tex Mex existing prior to the proposed transaction, it is clear that the transaction should not raise any competitive concerns. Nonetheless, in order to test my initial evaluation, I have reviewed the competitive effects of the proposed transaction and determined that the common control of KCSR, Tex Mex, and GWER will not result in a substantial lessening of competition, the creation of a monopoly, or a restraint of trade in freight surface transportation in any region of the United States.

A. KCSR and Tex Mex Are Already End-To-End Partners

My analysis shows that this transaction is end-to-end in nature and is simply a natural evolution of the developments in creating a NAFTA railroad over the past decade. Tex Mex has been providing service since 1875 and became part of the KCS system in 1995 when KCS acquired 49% of Mexrail from TMM. KCS subsequently acquired an approximate 36.9% ownership in TFM in 1997. At the time of these investments, KCSR did not connect with either Tex Mex or TFM. The connection and integration of these three systems was greatly facilitated by the Board when, to counter UP's dominance of U.S./ Mexico rail traffic resulting from the UP/SP merger, it granted Tex Mex trackage rights to "ensure effective competition for NAFTA traffic and to ensure the continued provision of essential rail services provided by Tex Mex." *See* UP/SP Merger Decision No. 44, at 149; *See also* UP/SP Merger Voting Conference Transcript, July 3, 1996, at 20-21, 73-74, 96-99. This decision allowed KCS to begin to develop its NAFTA rail system. In March 2002, TMM and KCS undertook a series of corporate reorganizations and Mexrail, the holding company for Tex Mex, was consolidated under TFM, which, through GTFM, is jointly owned by TMM, KCS and the Mexican Government (the Mexican Government owns 20% of the shares of TFM). Accordingly, since 1997, KCSR, Tex Mex, and TFM have been partners and have worked to coordinate their systems to create a NAFTA rail network.

As noted, when the UP/SP merger allowed KCSR and Tex Mex to connect, Tex Mex and KCSR began coordinating and integrating their operating departments. Indeed, as I understand it, today KCSR provides a number of services to Tex Mex, from dispatching to locomotive and car supply. KCSR officers participate in decision-making for Tex Mex on a variety of levels. In addition, KCSR, TFM and Tex Mex have significant operational coordination. Officers of

TFM and KCSR form the majority of the Tex Mex management committee. TFM personnel guide the marketing and financial decisions of Tex Mex, while KCSR provides significant operational support, from scheduling coordination and car blocking to dispatching coordination and locomotive and car supply management. This close operating coordination has allowed KCSR and Tex Mex to provide an alternative route into and out of Mexico.

The common control of KCSR and Tex Mex simply furthers the pro-competitive actions of the parties and of the STB over the past decade. Exhibit 1 to the Application is a map illustrating the current configuration of these two railroads. KCSR is a relatively small Class I carrier with a rail network extending from Kansas City south to Dallas and Beaumont, Texas; Lake Charles and New Orleans, Louisiana; and Meridian, Mississippi. It has major terminals in Kansas City, Missouri; Shreveport, Lake Charles, Baton Rouge, and New Orleans, Louisiana; Beaumont, Port Arthur, and Dallas, Texas; and Vicksburg, Jackson, Meridian, and Gulfport, Mississippi. KCSR also has principal interchange points located throughout its rail network. Tex Mex is a Class II rail carrier with a 157-mile line between Laredo and Corpus Christi, Texas and trackage rights extending from Corpus Christi to Beaumont, Texas.

As documented in more detail in Table 1, KCSR handled a total of 932,399 carloads in 2001. Leading commodities were coal, miscellaneous mixed shipments, pulp and paper products, farm products, hazardous materials, and lumber or wood products. As also documented in Table 1, Tex Mex handled 91,173 carloads in 2001. Leading commodities were farm products, food or kindred products, chemicals, transportation equipment, and pulp and paper products.

Further insight into how the two railroads operate can be obtained by examining their interchange partners and patterns. As detailed in Table 2, KCSR's primary interchange railroads

are Norfolk Southern Railway Company ("NS") and The Burlington Northern and Santa Fe Railway Company ("BNSF"), with over 100,000 carloads forwarded to each in 2001. With regard to received traffic, KCSR's primary partner in 2001 was BNSF, with over 242,000 carloads. NS was second in received traffic, with approximately 96,000 carloads. As detailed in Table 3, BNSF is Tex Mex's primary interchange partner, with 35,000 carloads of forwarded and 10,000 carloads of received traffic in 2001. KCSR forwarded almost 23,000 carloads to Tex Mex in 2001, and received around 4,000 carloads from Tex Mex at their interchange in Beaumont.

B. Because KCSR and Tex Mex Do Not Compete Against Each Other, There Will Be No Anticompetitive Effects

1. There Are No "2 to 1" or "3 to 2" Effects

Given the existing degree of coordination and integration between KCSR and Tex Mex, the commodity mix of the two railroads, and the limited scope of the transaction, I would not expect to see any substantial lessening of competition, creation of a monopoly, or restraint of trade as a result of the transaction. To test this hypothesis and despite these pre-transactional linkages, I have nonetheless analyzed the competitive impacts of the transaction as if KCSR and Tex Mex were operating independently of each other, leaving aside the fact that in reality, the transaction is a relatively small change from the status quo. Therefore, in taking such an approach, the anti-competitive effects, if any, will be overstated.

In making its analysis, the STB's primary focus must be upon the probable competitive effects, and only where significant anticompetitive effects are found is the STB to consider the public interest factors of 49 U.S.C. § 11324(d)(2). As I have discussed in testimony in previous ICC and STB proceedings, the critical threshold issue in conducting a rigorous evaluation of the competitive consequences of a railroad merger is the definition of the relevant markets.

Although the Board is not required to utilize the DOJ's and FTC's horizontal merger guidelines for defining relevant markets, this methodology provides a clear and powerful market definition tool that can be usefully applied here. Accordingly, boundaries for markets can be established as follows.

Specifically, the DOJ or FTC would begin with each narrowly defined product produced or sold by each merging firm and ask what would happen if a hypothetical monopolist of that product imposed at least a "small but significant and non-transitory" increase in price, but the terms of sale of all other products remained constant. If, in response to the price increase, the reduction in sales of the product would be large enough that a hypothetical monopolist would not find it profitable to impose such an increase in price, then the Agency will add to the product group the product that is the next-best substitute for the merging firm's product. See U.S. Department of Justice/Federal Trade Commission's *Horizontal Merger Guidelines* § 1.11, issued April 2, 1992, revised 1997, reprinted in 4 Trade Reg. Rep. (CCH) at 13,104, available at <http://www.atrnet.gov/policies/mergers>.

In applying these standards in a railroad merger or control transaction, I have stated in previous Board testimony that a railroad's "product" consists of the transportation of commodities between specific origin-destination pairs. A railroad is truly a multi-product firm, in that each origin-destination pair and type of commodity shipped can properly be regarded as a unique product. Under this view, the examination of the types of shippers potentially impacted by a loss of competition supports a definition of rail markets as origin-destination pairs or corridors.

There are two critical issues in proceeding with the definition of relevant markets in a rail merger case. The first is whether or not to include motor carrier traffic as a component of the

product market. While truck clearly provides a competitive alternative to rail for some shippers in some specific markets,⁶ I will focus solely on rail traffic in this competitive analysis. To define the geographic market dimensions of these rail corridors, I will view each origin and destination as a Business Economic Area ("BEA").⁷ In sum, I will utilize a market definition of rail traffic between BEA pairs or corridors. Importantly, if the STB believes that truck traffic should be included in the relevant market, or that using specific points in lieu of BEA pairs to define geographic markets is preferable, the competitive analysis herein would overstate the competitive impacts of the instant consolidation.

⁶ According to data published by the Department of Transportation's ("DOT's") Bureau of Transportation Statistics, the value of goods moved by truck to and from Mexico during 2001 was about \$160.6 billion, whereas the value of goods moved by rail was only about \$32.4 billion. See U.S. Bureau of Transportation Statistics' *Table I-53: Value of U.S. Land Exports To and Imports From Canada and Mexico by Mode*, 2001, available at http://www.bts.gov/publications/nts/html/table_01_53.html.

⁷ There are numerous shippers or receivers located at stations or points within a BEA that do not receive service from all of the rail carriers serving that BEA. For example, while there may be three rail carriers originating or terminating traffic within a single BEA, many individual shippers or receivers within that BEA will not receive service from all three carriers. Many only have access to a single carrier. Accordingly, it has been argued that a BEA may constitute, in some instances, an overly broad geographic market when determining competitive impacts, and thus overstate the anticompetitive impacts of a transaction. Nonetheless, a BEA to BEA analysis follows the methodology employed by the United States Department of Justice in the SF/SP case. *Santa Fe Southern Pacific Corp.--Control--SPT Co.*, 2 I.C.C. 2d 709 (1986), 3 I.C.C. 2d 926 (1987) ("SF/SP"). Witness Pittman in his testimony and academic writings related to that case has explained why a BEA to BEA approach is appropriate. R.W. Pittman, "Railroads and Competition: The Santa Fe/Southern Pacific Merger Proposal," *The Journal of Industrial Economics*, 1990. The DOJ also used a similar approach in analyzing the UP/SP merger. While the Board in the UP/SP merger rejected BEAs as overly broad, UP/SP Decision No. 44 at 120, and has looked at specific points, stations, or locations, rather than independent routings between BEA to BEA corridors, the absence of competitive impacts based on BEA geographic markets would clearly provide cogent evidence that there are no shippers or receivers located at any point, location, station, or even within a BEA, that will see a reduction in its competitive alternatives. It should be noted that KCS and Tex Mex connect only in Beaumont and do not compete with each other at that location. Tex Mex serves Beaumont only through trackage rights and KCS handles all origination and termination of traffic in Beaumont. As a result, there are no three-to-two or two-to-one points, locations, or stations.

Another issue to consider in defining rail markets is that the complexity of many long-haul movements requires coordination by more than one carrier. For example, it is common for connecting carriers to submit a single competitive bid for the entire length of a long-haul movement. Therefore, competition is greatly enhanced when alternative, fully-independent routings are available. On the other hand, if one carrier participates in all possible routings, competition can be greatly hampered. The importance of independent routing alternatives has been recognized by the ICC/STB in *Consolidated Papers, Inc., et al. v. Chicago and North Western Transp. Co., et al.*, 7 I.C.C. 2d 330, 338 (1991), where the ICC noted that:

Competition between railroads generally requires the presence of two or more independent routes, that is, routes having no carriers in common. When a single carrier is a necessary participant in all available routes, i.e., a bottleneck carrier, it can usually control the overall rate sufficiently to preclude effective competition.

Accordingly, to deal with this issue, I have focused my analysis primarily on instances where the proposed common control will reduce the number of independent railroad routings between a particular origin and destination pair, which tests for the creation of a bottleneck carrier in any given market.

I will use a brief illustration to outline the approach discussed above using BEA to BEA corridors and focusing on independent routings. In the example below, even though there are three routings, there are only two independent routings in the Kansas City to Laredo corridor because the Tex Mex serves as a bottleneck carrier in two of the three routings, leaving the only other independent route as the UP direct route.

KANSAS CITY BEA TO LAREDO BEA	
CURRENT RAIL ROUTES	MARKET SHARE FOR THAT ROUTE
KCSR-TM	10%
BNSF-TM	10%
UP DIRECT	80%

The competitive analyses I have previously submitted to the STB in the UP/SP merger and the KCSR/GWWR merger addressed horizontal impacts in the manner described above. I have used the same methodology here. Specifically, I addressed the reduction of independent competitive alternatives in origin-destination routes with each origin and destination constituting a BEA. Using this methodology, I initially examined all markets (origin-destination BEA pairs) where KCSR and Tex Mex participate using the 2001 waybill sample and the KCSR traffic tapes. As reflected in Table 4, there were over 100 such BEA pairs. I then examined the number of independent routings both before and after common control of KCSR and Tex Mex. There were no BEA to BEA pairs that will experience a reduction in the number of independent railroad routing options. I conclude therefore that the common control of KCSR and Tex Mex is purely end-to-end and has no anticompetitive horizontal effects.

2. There Is No Reduction In Source Competition

While it is clear that there are no horizontal impacts as a result of the transaction, I also was concerned that there may be some shippers or receivers who might see a reduction of source or geographic competition. For such a potential to exist, however, there would have to be a point or location where KCSR and Tex Mex both serve, albeit to or from different geographic regions. Given that KCSR and Tex Mex connect only via Tex Mex's trackage rights at Beaumont, TX, this represents the only location where a shipper or receiver located at Beaumont might see a reduction in source or geographic competition. Upon examination, I have concluded

that no such reduction in source or geographic competition will occur. Table 5 shows the distribution of KCSR and Tex Mex traffic at Beaumont. At Beaumont, there are no shippers or receivers that have the independent option of choosing either Tex Mex or KCSR for movements to different sources or geographic locations. KCSR originates or terminates all local traffic at Beaumont and thus Tex Mex does not compete in the same corridors as does KCSR.⁸

II. THE TRANSACTION SHOULD RESULT IN ENHANCING KCSR/TEX MEX'S ABILITY TO COMPETE

If KCS's control of Tex Mex is approved by the Board, and the shareholders and the Mexican government approve the second transaction, KCSR, Tex Mex, GWER, and TFM will, instead of simply being linked by common ownership, actually be under the common control of KCS, which will be renamed NAFTA Rail. As I understand it, KCS intends to operate all the carriers as separate subsidiaries under the common control of NAFTA Rail. Regardless of whether or not all of these series of transactions occur, placing KCSR and Tex Mex under common control should allow KCSR and Tex Mex to integrate their marketing and financial departments, increase coordination, cut costs, and otherwise implement efficiencies that cannot be obtained when companies remain under separate ownership. These actions should improve the ability of KCSR and Tex Mex to provide a competitive alternative to the much larger Class I carriers, especially UP and BNSF, who already operate their own versions of a NAFTA

⁸ Although the waybill data reflects that Tex Mex did in fact originate or terminate local traffic at Beaumont, further examination, including discussions with KCSR marketing and operating personnel, clarified that Tex Mex cannot originate or terminate traffic in Beaumont, Texas without KCSR's railroad engine and crews performing local switching as the origin switch carrier, or with KCSR in the line haul route. The only historical loads of which I am aware showing Tex Mex direct moves from Beaumont (with a KCSR origin switch) were loads of forest products originating from the Port of Beaumont with Mexico destinations. The preponderance of loads now shows KCSR as receiving a division of the revenue as opposed to an origin switch. Data provided by Mike Rogers of Cogent shows that BNSF and UP are the dominant carriers in Beaumont, with respectively 40.8% and 43.4% of total originations and terminations.

Railroad. If KCS's control of TFM is approved and TFM is brought under common control with KCSR, GWER and Tex Mex, it will only further enhance the ability of KCSR and Tex Mex to compete.

A. The Proposed Transaction Should Improve Efficiencies

While I have not conducted an independent analysis of the specific benefits of placing KCSR and Tex Mex under common control, I would fully expect that these two systems should be able to achieve the same types of benefits achieved in past end-to-end transactions. As in previously approved end-to-end transactions, the benefits of this transaction should be closer coordination of the marketing functions between the participating carriers, improved efficiency, greater financial stability and increased access by Tex Mex to cars, locomotives, and other resources available to KCSR that are not currently available to Tex Mex. *See Illinois Central Corporation and Illinois Central Rail Company--Control--CCP Holdings, Inc., et al.*, STB Finance Docket No. 32858, 1996 STB LEXIS 59 at *8 - *9 (STB served March 1, 1996) (better car supply availability and increased financial soundness of acquired railroads cited as benefits which helped characterize the transaction as minor), *CSX Corporation and CSX Transportation, Inc.--Control--The Indiana Rail Road Company*, STB Finance Docket No. 32892, 1996 STB LEXIS 254 at *9 (STB served Aug. 2, 1996) (finding potential for improved marketing a factor in classifying transaction as minor), and *Burlington Northern Santa Fe Corporation, et al.--Control--Washington Central Railroad Company*, STB Finance Docket No. 32974, 1996 STB LEXIS 201 at *5 - *6 (STB served July 17, 1996) (finding increased operating efficiency a factor in concluding that transaction was minor). I fully expect this transaction to result in similar benefits, especially given that Tex Mex and KCSR do not currently integrate their marketing or financial functions.

B. The Transaction Provides An Opportunity For KCSR And Tex Mex To Enhance Their Ability To Provide A Competitive Balance At Laredo

The proposed KCSR/Tex Mex transaction is completely consistent with the STB's view in the UP/SP merger that KCSR and Tex Mex provide a critical competitive counterweight for the dominant UP competitive position in U.S.--Mexico rail transportation. As the Board stated in the UP/SP merger, "Our grant of trackage rights was premised on our concerns that the merger will diminish [Tex Mex's] traffic base to the point where it is unable effectively to preserve a second competitive routing at Laredo, and that the merger might endanger the essential service it provides to the more than 30 shippers located on its line." Decision No. 44, slip. op. at 148. Copious evidence presented in the UP/SP merger proceeding documented the importance of Laredo as a rail gateway. Laredo has long been the principal rail gateway between the U.S. and Mexico. This fact is due to Laredo's superior infrastructure, such as customs brokers, and its location on the shortest route between many U.S. and Mexican origins and destinations, particularly between major Mexican industrial and population centers and the Midwest and Eastern U.S. See Rebuttal Verified Statement of Joseph F. Ellebracht at 5, in Rebuttal in Support of the Responsive Application of The Texas Mexican Railway Company, (TM-34), filed May 14, 1996.

Prior to the UP/SP merger, UP had a 65.8% market share at Laredo. Tex Mex, in contrast and in conjunction with interline movements with SP and BNSF, had a 34.2% market share. Decision No. 44 at 148-149. Because the UP/SP merger would otherwise have created a virtual monopoly at Laredo, the Board granted Tex Mex trackage rights to "ensure the continuation of an effective competitive alternative to UP's routing into the border crossing at Laredo." *Id.*

Current data documents the UP's continued dominance at Laredo, and the pro-competitive impact of further strengthening the KCSR-Tex Mex competitive alternative.⁹ As noted in Figure 1, UP's market share for Laredo Northbound traffic is 91% based on 2001 data; UP's share for Laredo Southbound traffic is 71%, as noted in Figure 2. Table 6 provides further detail on UP's dominance of U.S.-Mexico traffic by examining Laredo originations by destination markets. The largest destination is Chicago, for which UP has fully a 98% market share. For the next largest market, St. Louis, UP had 100% of the traffic in the 2001 carload waybill sample.¹⁰ UP had a 94% share in the third largest market, Los Angeles. Of the 29 destination markets from Laredo originations with three or more unique stations, UP had a greater than 90% share in 17 of these markets.

Table 7 provides further detail on UP's dominance of U.S.-Mexico traffic by examining Laredo terminations by origin market. The largest destination again is Chicago; UP has a 98% market share. St. Louis is again second, for which UP has a 98% market share. Houston is third, with the UP market share at 85%. Thus, UP clearly continues to dominate the Laredo gateway.

⁹ Laredo remains the key gateway for U.S.-Mexico rail traffic. Moreover, UP in addition to being dominant at the key Laredo gateway, has a broader geographical coverage compared to other railways serving Mexico. Today, and as a result of the UP/SP merger, Tex Mex, interlining with both BNSF and KCS, serves the Laredo gateway in competition with UP for NAFTA traffic. While Tex Mex only serves Laredo, UP serves all six major U.S./Mexican gateways, connecting with TFM at Laredo and Brownsville and with Ferrocarril Mexicano, S.A. de C.V. ("Ferromex") at Eagle Pass, El Paso, Nogales and Mexicali. In fact, UP's primary route for NAFTA traffic is between San Antonio and Laredo on its own line and is not shared by other carriers. BNSF serves three major U.S./Mexican gateways at Brownsville, Eagle Pass, and El Paso. BNSF does not serve Laredo directly but connects with Tex Mex at Robstown for interchange through Laredo. KCS has no direct connections into Mexico and must rely upon its connection with Tex Mex at Beaumont.

¹⁰ I have been informed that some of the traffic tested in the waybill sample as terminating in St. Louis or Chicago may actually be "re-billed" to alternative final destinations. The presence of such traffic would not alter the conclusion of UP's dominance to and through these large markets.

While Tex Mex's trackage rights allow it to connect with both BNSF and KCSR in order to provide an alternative to UP, these trackage rights have not prevented UP's market share from growing substantially since its merger with SP.¹¹ At the same time and due to NAFTA, trade between the U.S. and Mexico has steadily increased and is expected to escalate in the future. Preserving and strengthening competition in this market is especially important, therefore, if the two countries are to realize the purpose and projected benefits of NAFTA, and will be even more important in the future.

As one indication of how placing KCSR and Tex Mex under common control should allow KCSR and Tex Mex to provide a more effective competitive check on UP's dominance at Laredo, Reebie Associates assisted in conducting a traffic diversion study with regard to this consolidation, the results of which are summarized in Table 8. Placing KCSR and Tex Mex under common control would result in \$14.3 million additional annual revenues for the two systems. Almost all of the traffic diversions would be drawn from UP (\$7.5 million) and BNSF (\$6.8 million). Thus, the merger is pro-competitive in strengthening the competitive alternatives to the UP dominant share at Laredo.

Conclusion

This transaction involves an end-to-end connection whereby two carriers, who already share some common ownership, marketing, and operating practices, will finally be combined into one company with a unified management team. Although KCS has no plans to merge the companies, it will exercise common control over KCSR, GWER, and Tex Mex and thus offer shippers more efficient and competitive single line service. The transaction will not have any

¹¹ I have been informed by KCSR personnel that one potential factor contributing to this factor is the lack of capacity on the UP lines utilized by the Tex Mex. Apparently, this lack of capacity and the resulting heavy congestion has compromised Tex Mex's transit times and raised its costs.

anticompetitive effects. There will be no shippers or receivers who will see their competitive options reduced from three-to-two or two-to-one and there will not be any loss in source competition.¹² Rather, this transaction will be pro-competitive in nature. The benefits of this transaction are expected to be closer coordination of operations between the participating carriers, improved efficiency, greater financial stability and increased access by the smaller railroad to cars, marketing and other resources available only to larger railroads.

The Board, rightfully so, does not impose conditions on a merger lightly. The conditions imposed on the UP/SP merger were done so for significant reasons, promoting a competitive alternative to UP dominance in the U.S.-Mexico market. This consolidation will enhance the efforts of the KCS system to provide a truly competitive alternative to UP for NAFTA traffic.

¹² Because the Mexrail Agreement has already been consummated and is subject to the jurisdiction of the STB, my analysis focused on the competitive impacts of bringing KCSR and Tex Mex under common control. Nonetheless, given the end-to-end nature and corporate relationships of KCSR, Tex Mex, and TFM, my conclusions would likely not be different if I had analyzed the competitive impacts of placing all three carriers under common control. In particular, the fact that TFM serves only Mexican shippers, while KCSR and Tex Mex serve only U.S. shippers, provides a strong presumption that the combination of these three systems would have no horizontal competitive effects, no two-to-one or three-to-two impacts, and no reduction of source competition.

Table 1
Carload Handled by KCS and TM - 2001*

STCC	Commodity Description	KCS	
		Carloads**	TM Carloads
00	Unknown	11	20
01	Farm Products	66,851	21,998
08	Forest Products	36	20
09	Fresh Fish or Marine Products	5	-
10	Metallic Ores	6,161	139
11	Coal	201,489	420
13	Crude Petroleum or Natural Gas	1,598	2
14	Nonmetallic Minerals	18,086	5,129
19	Ordinance or Accessories	103	-
20	Food or Kindred Products	38,259	12,580
21	Tobacco Products	2	-
22	Textile Mill Products	3,271	61
23	Apparel or Related Products	5,323	263
24	Lumber or Wood Products	60,021	1,352
25	Furniture or Fixtures	4,136	67
26	Pulp, Paper or Allied Products	96,810	7,261
27	Printed Matter	259	10
28	Chemicals or Allied Products	48,193	10,345
29	Petroleum or Coal Products	44,210	2,911
30	Rubber or Misc Plastics	5,724	236
31	Leather or Leather Products	98	8
32	Clay, Concrete, Glass or Stone	19,271	1,365
33	Primary Metal Products	16,004	4,804
34	Fabricated Metal Products	1,191	227
35	Machinery	801	96
36	Electrical Equipment	3,735	247
37	Transportation Equipment	38,290	8,083
38	Instruments, Photo Equip, Optical Eq	342	10
39	Misc Manufacturing Products	1,159	200
40	Waste or Scrap Materials	14,806	5,231
41	Misc Freight Shipments	5,236	65
42	Shipping Containers	6,557	1,261
43	Mail or Contract Traffic	568	-
44	Freight Forwarder Traffic	1	1
45	Shipper Association Traffic	74	7
46	Misc Mixed Shipments	156,092	3,033
47	Small Packaged Freight Shipments	715	1
48	Waste Hazardous Materials	852	799
49	Hazardous Materials or Substances	66,057	2,377
50	Bulk Products in Box Cars	2	544
Total		932,399	91,173

Source: 2001 KCSR, GWWR, and TM Traffic Tapes

* Excluding Haulage Traffic

** Including GWWR

Table 2
KCS Traffic by Interchange Railroad - 2001

Railroad	Forwarded	Originated and Forwarded	Forwarded Overhead	Received	Received and Terminated	Received for Further Delivery
ALM	5,988	2,013	3,975	4,952	726	4,226
AM	521	513	8	112	4	108
BNSF	118,231	52,967	65,264	242,182	157,722	84,460
CAGY	3	3	-	84	35	49
CN	30,612	27,456	3,156	41,780	30,922	10,858
CSXT	46,783	42,717	4,066	30,215	18,202	12,013
DQE	19,822	407	19,415	7,608	1,881	5,727
FSR	1	1	-	-	-	-
GTRA	989	447	542	679	34	645
IAIS	131	131	-	210	210	-
IMRL	10,063	8,077	1,986	15,433	11,477	3,956
IMRR	-	-	-	19	16	3
LNW	731	338	393	404	119	285
LXVR	2	-	2	835	-	835
MNBR	2,879	2,655	224	881	753	128
NOPB				1	1	-
NS	133,259	53,894	79,365	96,684	38,655	58,029
SKOL	5	5	-	-	-	-
SOO	-	-	-	4	2	2
SRN	4	4	-	-	-	-
TM	22,900	9,782	13,118	4,403	458	3,945
TNER	2	-	2	-	-	-
TRRA	-	-	-	1	1	-
UP	37,715	27,393	10,322	61,307	44,739	16,568
WTNN	69	66	3	964	960	4
Total	<u>430,710</u>	<u>228,869</u>	<u>201,841</u>	<u>508,758</u>	<u>306,917</u>	<u>201,841</u>

Source: 2001 KCSR and GWWR Traffic Tapes

* Does not include local movements on KCS

Table 3
Tex-Mex Traffic by Interchange Railroad - 2001

Railroad	Forwarded	Originated and Forwarded	Forwarded Overhead	Received	Received and Terminated	Received for Further Delivery
BNSF	35,476	35,476	-	10,345	10,345	-
KCS	22,951	22,951	-	4,416	4,416	-
TFM	1,360	1,360	-	2,545	2,545	-
UP	<u>1,815</u>	<u>1,815</u>	<u>-</u>	<u>282</u>	<u>282</u>	<u>-</u>
	<u>61,602</u>	<u>61,602</u>	<u>-</u>	<u>17,588</u>	<u>17,588</u>	<u>-</u>

Source: 2001 TM Traffic Tapes

* Does not include local movements on KCS

Does not include rebilled interchanges

V.S. Curtis Grimm

Table 4

Pages 91-110

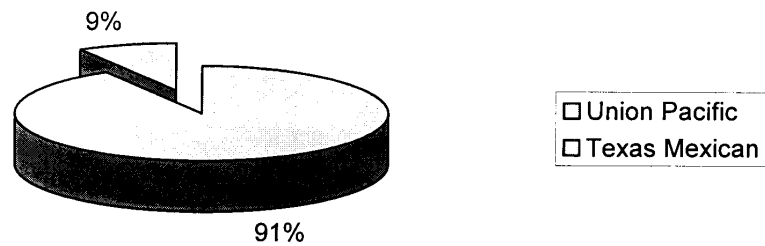
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**Table 4 has been designated as
Highly Confidential**

Table 5
Distribution of KCS and TM Beaumont Traffic
2001 Carload Waybill Sample

Beaumont Originations		
Railroad	BEA	Units
KCS	12 Philadelphia, PA	40
KCS	40 Atlanta, GA	120
KCS	64 Chicago, IL	40
KCS	66 Fort Wayne, IN	80
KCS	86 Lake, Charles, LA	246
KCS	88 Shreveport, LA	40
KCS	160 Los Angeles, CA	40
TM	134 San Antonio, TX	200
Beaumont Terminations		
Railroad	BEA	Units
KCS	86 Lake, Charles, LA	477
KCS	89 Monroe, LA	96
KCS	93 Joplin, MO	200
KCS	99 Kansas, City, MO	1104
KCS	100 Des Moines, IA	100
KCS	118 Omaha, NE	325
KCS	124 Tulsa, OK	1168
KCS	127 Dallas, TX	320
KCS	131 Houston, TX	40
TM	67 Indianapolis, IN	40

**Figure 1, Laredo Northbound Traffic
2001 KCS Waybills and Carload Waybill Sample**



Reehie Associates

**Figure 2, Laredo Southbound Traffic
2001 KCS Waybills and Carload Waybill Sample**

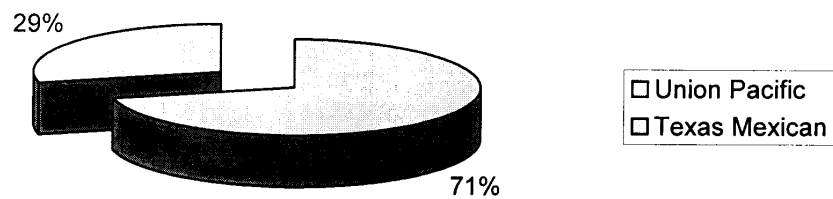


Table 6
Laredo Originations by Destination Markets*

	Destination BEA	Total Units	TM Units	UP Units	TM Share
64	Chicago, IL	58,800	1,280	57,520	2%
96	St. Louis, MO	33,520	-	33,520	0%
127	Dallas, TX	12,356	680	11,676	6%
160	Los Angeles, CA	9,400	1,000	8,400	11%
131	Houston, TX	9,308	348	8,960	4%
134	San Antonio, TX	5,208	440	4,768	8%
73	Memphis, TN	3,880	800	3,080	21%
10	New York, NY	3,740	1,180	2,560	32%
40	Atlanta, GA	2,840	1,200	1,640	42%
99	Kansas, City, MO	2,400	240	2,160	10%
163	San Francisco, CA	2,200	120	2,080	5%
13	Washington, DC	1,680	120	1,560	7%
70	Louisville, KY	1,680	-	1,680	0%
29	Jacksonville, FL	1,520	120	1,400	8%
158	Phoenix, AZ	1,520	40	1,480	3%
170	Seattle, WA	1,200	40	1,160	3%
152	Salt Lake, City, UT	1,120	-	1,120	0%
80	Mobile, AL	1,040	200	840	19%
30	Orlando, FL	1,000	40	960	4%
167	Portland, OR	960	-	960	0%
3	Boston, MA	880	120	760	14%
11	Harrisburg, PA	840	40	800	5%
31	Miami, FL	760	80	680	11%
23	Charlotte, NC	720	320	400	44%
12	Philadelphia, PA	680	120	560	18%
78	Birmingham, AL	560	320	240	57%
57	Detroit, MI	200	-	200	0%
51	Columbus, OH	120	40	80	33%
107	Minneapolis, MN	120	-	120	0%
Total		192,872	17,568	175,304	9%

Source, 2001 STB Carload Waybill Sample

** Destination Markets with Less than 3 Unique Stations Excluded from Detail, but Included in Total

Table 7
Laredo Terminations by Origin Markets*

Origin BEA	Total Units	TM Units	UP Units	TM Share
64 Chicago, IL	26,702	640	26,022	2%
96 St. Louis, MO	14,612	232	14,380	2%
131 Houston, TX	7,176	1,096	6,080	15%
118 Omaha, NE	6,442	1,348	5,094	21%
73 Memphis, TN	6,208	996	5,212	16%
132 Corpus Christi, TX	5,932	5,852	80	99%
143 Casper, WY	5,592	720	4,872	13%
99 Kansas, City, MO	5,494	1,518	3,976	28%
127 Dallas, TX	5,276	984	4,292	19%
57 Detroit, MI	4,020	660	3,360	16%
122 Wichita, KS	3,888	680	3,208	17%
134 San Antonio, TX	3,508	320	3,068	9%
160 Los Angeles, CA	2,960	400	2,560	14%
120 Grand Island, NE	2,697	1,168	1,529	43%
8 Buffalo, NY	2,320	240	2,080	10%
90 Little Rock, AR	2,208	160	2,048	7%
119 Lincoln, NE	2,119	472	1,647	22%
141 Denver, CO	1,990	840	1,150	42%
89 Monroe, LA	1,676	944	732	56%
87 Beaumont, TX	1,636	796	840	49%
29 Jacksonville, FL	1,520	520	1,000	34%
107 Minneapolis, MN	1,443	320	1,123	22%
55 Cleveland, OH	1,440	40	1,400	3%
86 Lake, Charles, LA	1,428	980	448	69%
40 Atlanta, GA	1,400	800	600	57%
83 New Orleans, LA	1,400	120	1,280	9%
138 Amarillo, TX	1,372	1,372	-	100%
125 Oklahoma, City, OK	1,104	764	340	69%
Total	164,613	39,172	125,281	24%

Source, 2001 STB Carload Waybill Sample

** Origin Markets with Less than 3 Unique Stations Excluded from Detail, but Included in Total

Table 8
Changes in Gross Revenue and Cars from Diversions

Total	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	14,318	3,341	3,739	6,313
Burlington Northern Santa Fe	-6,801	-543	-2,145	-1,692
CSX Transportation, Inc.	53	0	-20	-190
Canadian National Railways	-47	-60	0	-60
Florida East Coast Railway Company	1	0	0	0
I & M Rail Link, LLC	2	0	0	0
Norfolk Southern Railway	32	0	-37	62
Union Pacific	-7,514	-2,732	-1,507	-4,123
All Other s	-45	-6	-30	-36

BNSF - CSXT	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	538	0	30	30
Burlington Northern Santa Fe	-565	0	-30	-510
CSX Transportation, Inc.	13	0	0	-20
Florida East Coast Railway Company	0	0	0	0
Norfolk Southern Railway	13	0	0	20

BNSF - NS	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	358	0	41	40
Burlington Northern Santa Fe	-379	0	-41	-261
Norfolk Southern Railway	20	0	0	0

Burlington Northern Santa Fe Local	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	3,006	131	1,964	1,964
Burlington Northern Santa Fe	-3,006	-131	-1,964	-131

Kansas City Southern Extension	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	333	80	60	80
Burlington Northern Santa Fe	-184	0	-30	-140
Canadian National Railways	-47	-60	0	-60
Union Pacific	-102	-20	-30	-50
All Other s	1	0	0	0

Other	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	2,925	436	180	184
Burlington Northern Santa Fe	-2,588	-412	-70	-610

I & M Rail Link, LLC	2	0	0	0
Union Pacific	-307	-24	-110	-15
All Others	-32	0	0	0

Tex Mex Extension	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	246	6	117	0
Burlington Northern Santa Fe	-76	0	-10	-40
CSX Transportation, Inc.	-22	0	0	0
Norfolk Southern Railway	-16	0	-37	-37
Union Pacific	-117	0	-40	-40
All Other s	-15	-6	-30	-36

UP – CSXT	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	2,377	1,710	20	1,710
CSX Transportation, Inc.	62	0	-20	-170
Norfolk Southern Railway	102	0	0	150
Union Pacific	-2,543	-1,710	0	-1,710

UP – IMRL	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	206	0	77	77
Union Pacific	-206	0	-77	-77

UP – NS	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	4,324	978	1,250	2,228
Norfolk Southern Railway	-88	0	0	-70
Union Pacific	-4,237	-978	-1,250	-2,230

VERIFICATION

I, Curtis M. Grimm, verify under penalty of perjury that I have read the foregoing statement and that it is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Curt Grimm

Curtis M. Grimm

STATE OF MARYLAND)
)
COUNTY OF PRINCE GEORGES)

ss.

Subscribed and sworn to before me
this 12th day of May, 2003.

Lawena White

Notary Public of the State of Maryland

My commission expires: 12/1/04

VERIFIED STATEMENT OF BENGT MUTÉN

**IN SUPPORT OF THE
RAILROAD CONTROL APPLICATION
OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34342

Introduction

My name is Bengt Mutén. I am a Principal of Reebie Associates, a transportation consulting firm with its primary office in Stamford, Connecticut. Since joining Reebie Associates in 1997, as well as in prior positions at DNS Associates, Inc., and Mutén & Associates, Inc., I have conducted numerous rail-to-rail diversion studies in support of and in opposition to merger filings, as well as for strategic planning purposes. While at each of these positions, I have been responsible for the development and implementation of the DNS Traffic Diversion Model since it was first conceived in 1981. I hold an S. B. from the Massachusetts Institute of Technology, and an M. S. from the University of California at Berkeley.

Scope and Assumptions of the Traffic Diversion Analysis

Reebie Associates performed a diversion estimate of the impact on existing railroad traffic of operating The Kansas City Southern Railway Company ("KCSR") with The Texas Mexican Railway Company ("Tex Mex") as a single system, using the DNS railroad diversion

methodology. The base data was the 2001 KCS and GWWR 100% Waybill Records,¹ combined with 2001 STB Carload Waybill Sample with KCS and GWWR records excluded.

In estimating diversions, these assumptions were used:

- KCSR, Gateway Eastern Railway Company, and Tex Mex are operated as a single railroad system.
- All contracts have been renewed or renegotiated (steady state).
- Gross revenues of movements are maintained, only the allocation between railroads is changed.
- The Tex Mex physical plant is significantly upgraded, as discussed in the Verified Statement of James L. Riney contained in this application.
- Quality of access for Tex Mex via trackage rights on the Union Pacific (UP) for current and diverted traffic is similar to what it would be if Tex Mex owned the line.
- Burlington Northern Santa Fe (BNSF) traffic to and from Brownsville is all or mostly rebilled traffic to Mexican points, and is subject to diversion over Tex Mex to Laredo.
- All other rebill traffic continues to be interchanged at the same junctions (since the Carload Waybill Sample shows each separately billed portion of a rebill move as a separate movement).
- No other changes in the railroad system structure, ownership, or cooperative arrangements occur.

¹ As I understand it, Gateway Western - GWWR - was merged with KCSR effective October 1, 2001.

Approach

Reebie Associates uses the DNS Rail Traffic Diversion Model (the "DNS Model") to estimate railroad traffic diversions. This model has been used in a number of diversion studies presented to the STB, most recently in the Norfolk Southern acquisition of portions of Conrail.²

The DNS Model takes an expert systems approach to estimating diversions. Working with railroad marketing officials, a set of diversion rules and percentages is developed. These rules and diversion percentages take into account the competitive advantages of the historic and diverted routes, including number of junctions, circuitry, competition at origin and destination, and traffic type. The rules used in this application are similar to those used in previous applications of the model, but taking into account the dependence on circuitous routings and trackage rights for traffic using both of the applicant carriers. The results of the routing and diversion rules are assessed by examining sample records, and adjustments are made as required.

The DNS Model works in a number of phases:

- Selection of Traffic – To limit the analysis, only traffic originating or terminating in SPLCs 680000-699999 (Southeast and Southwest Texas) was subjected to diversion.
- Finding of a Candidate Diverted Route -- For each selected record, the route most favorable to the merging carriers was found. This is done using a minimum impedance algorithm, constrained by existing junctions and availability of service at the origin and destination points (or, in the case of intermodal or auto traffic, nearby alternative points).

Thus, an alternative route for the existing traffic is developed.

² Finance Docket No. 33388, *CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company – Control and Operating Leases/Agreements – Conrail Inc. and Consolidated Rail Corporation, Railroad Control Application*, Volume 2B, NS Statements Concerning Market Impacts, Competition and Shipper Benefits (Exhibit 12), Verified Statement of John H. Williams, June 1997.

- Acceptance or Rejection of the Candidate Diverted Route – If the candidate diverted route does not include the merging carrier, if the merging carrier portion of the route is unchanged, or if the route is too circuitous to be regarded as competitive vis-à-vis the historic route, it is rejected, and the movement is assumed not to be divertible.
- Estimate of expected diversions – The diversion rules are applied to find a diversion percentage for each accepted candidate route.
- Reporting – The results of applying the diversion rules are accrued, and reported in Table 1. The impact is also shown graphically in Figure 1.
- Operating Plan Inputs - To assist in the preparation of the Operating Plan for this Application, I also prepared a study of where the 6,313 carloads that the diversion model projected would be diverted to KCSR/Tex Mex would originate and terminate on the combined KCSR/Tex Mex system. The results of that study are contained in Table 2 to this statement. That information was provided to KCSR personnel, without further detail, for purposes of preparation of the Operating Plan.³

³ Table 2 shows fractions of carloads being diverted. This results from basing the study on Carload Waybill Sample data for all carriers except KCSR/GWWR, plus 100% waybill data for KCSR/GWWR. Whereas Carload Waybill Sample data is shown in blocks of 40 cars, KCSR/GWWR's waybill data gave exact numbers of cars. Therefore, when I applied a 25% diversion probability to data including KCSR/GWWR traffic, for example, the result sometimes appeared to suggest diversion of a fraction of a car. Rounding these fractional numbers, as may be necessary for purpose of discussion in the Operating Plan, will not make any significant change in the overall meaning of the data.

Results

Table 1 shows the total estimated impact of the transaction. From the gains of operating as a single system, and the improvements to the Tex Mex physical plant, the merged system is expected to gain gross annual revenues of \$14.3 million, primarily from diversions away from the Union Pacific and Burlington Northern Santa Fe. By categorizing the results on the basis of the historic markets, we see that the major gains come from Union Pacific (\$7.5 million) and BNSF (\$6.5 million) interchanges with CSX and Norfolk Southern. Especially for traffic going to and from the Mid-Atlantic and Northeast states, the KCS routing over the Meridian gateway is no more circuitous than Union Pacific routing over St. Louis or Chicago. The other most significant shift comes from traffic that BNSF currently interchanges with Tex Mex at Robstown/Corpus Christi being interchanged instead with KCSR in Kansas City and moving via the commonly-controlled KCSR/Tex Mex to Laredo from that point. \$0.6 million comes from traffic that is interchanged by Tex Mex or KCSR to other carriers, where the commonly-controlled party can be used to extend the haul.

Looking at the impact in carloads, with 6,313 cars per year (17 cars per average day) added to the system, the impact on the 91,173 cars shown for TM in 2001⁴ is small, and the addition to the 932,399 cars of the KCS⁵ is almost unnoticeable. Conversely, the loss of 4,123 cars a year to Union Pacific represents 1.7% of all cars delivered or picked up by the UP in Laredo. The loss of 1,692 cars per year represents 17% of the cars BNSF carried to or from Brownsville.

⁴ TM 2001 Traffic Tapes.

⁵ KCS and GWWR 2001 Traffic Tapes.

Using actual tare weights for the Carload Waybill Sample, default tare weights by car type for the KCS and GWWR Waybills, and empty return ratios from the KCS R-1 reports⁶, the change in trailing gross tons for the transaction was calculated. The annual gross ton-miles on the Tex Mex (including trackage rights) are expected to increase by about 21.4%, or 600 million gross ton-miles. The impact on the KCS lines is about 789 million gross ton-miles, about 1.8%. Reducing gross ton-miles on other carriers 1,165 million annually offsets this.

⁶ Kansas City Southern Railway Company, Class I Railroad Annual Report to the Surface Transportation Board for the Year Ended December 31, 2001, pp 94-96.

Table 1
Changes in Gross Revenue and Cars from Diversions

Total	Revenue \$1 000	Originated Carloads	Terminated Carloads	Total Carloads
Kansas City Southern-Texas Mexican	14,318	3,341	3,739	6,313
Burlington Northern Santa Fe	-6,801	-543	-2,145	-1,692
CSX Transportation, Inc.	53	0	-20	-190
Canadian National Railways	-47	-60	0	-60
Florida East Coast Railway Company	1	0	0	0
I & M Rail Link, LLC	2	0	0	0
Norfolk Southern Railway	32	0	-37	62
Union Pacific	-7,514	-2,732	-1,507	-4,123
All Others	-45	-6	-30	-36
 BNSF – CSXT	 Revenue \$1 000	 Originated Carloads	 Terminated Carloads	 Total Carloads
Kansas City Southern-Texas Mexican	538	0	30	30
Burlington Northern Santa Fe	-565	0	-30	-510
CSX Transportation, Inc.	13	0	0	-20
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Kansas City Southern-Texas Mexican	358	0	41	40
Burlington Northern Santa Fe	-379	0	-41	-261
Norfolk Southern Railway	20	0	0	0
 Burlington Northern Santa Fe Local	 Revenue \$1 000	 Originated Carloads	 Terminated Carloads	 Total Carloads
Kansas City Southern-Texas Mexican	3,006	131	1,964	1,964
Burlington Northern Santa Fe	-3,006	-131	-1,964	-131
 Kansas City Southern Extension	 Revenue \$1 000	 Originated Carloads	 Terminated Carloads	 Total Carloads
Kansas City Southern-Texas Mexican	333	80	60	80
Burlington Northern Santa Fe	-184	0	-30	-140
Canadian National Railways	-47	-60	0	-60
Union Pacific	-102	-20	-30	-50
All Others	1	0	0	0

Table 1 (continued)
Changes in Gross Revenue and Cars from Diversions

Other	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	2,925	436	180	184
Burlington Northern Santa Fe	-2,588	-412	-70	-610
I & M Rail Link, LLC	2	0	0	0
Union Pacific	-307	-24	-110	-15
All Others	-32	0	0	0
Tex Mex Extension	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	246	6	117	0
Burlington Northern Santa Fe	-76	0	-10	-40
CSX Transportation, Inc.	-22	0	0	0
Norfolk Southern Railway	-16	0	-37	-37
Union Pacific	-117	0	-40	-40
All Other s	-15	-6	-30	-36
UP – CSXT	Revenue	Originated	Terminated	Total
	\$1 000	Carloads	Carloads	Carloads
Kansas City Southern-Texas Mexican	2,377	1,710	20	1,710
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Norfolk Southern Railway	102	0	0	150
Union Pacific	-2,543	-1,710	0	-1,710
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Kansas City Southern-Texas Mexican	4,324	978	1,250	2,228
Norfolk Southern Railway	-88	0	0	-70
Union Pacific	-4,237	-978	-1,250	-2,230

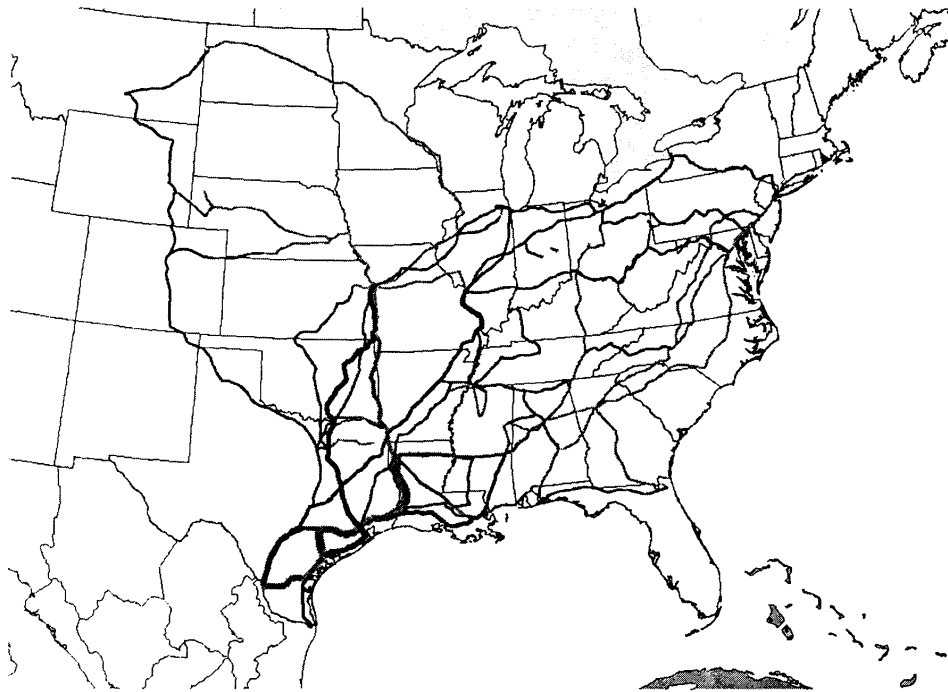
Table 2
Expected Changes from Diversions, Cars per Year

Origin or On Junction	From Road	Destination or Off Junction	To Road	Cars Lost	Cars Gained	Net Change
Beaumont	TX	UP	Alice TX	2.50	-	(2.50)
Birmingham	AL	BS	Corpus Christi TX	-	10.00	10.00
Birmingham	AL	CSXT	Laredo TX	1.75	-	(1.75)
Brookwood	AL	CSXT	Laredo TX	2.50	-	(2.50)
Columbus	MS	CAGY	Laredo TX	-	2.75	2.75
Columbus	MS	GTRA	Laredo TX	-	60.00	60.00
Corpus Christi	TX		Corpus Christi TX UP	4.00	-	(4.00)
Corpus Christi	TX		Meridian MS NS	-	68.00	68.00
Corpus Christi	TX		Neosho MO BNSF	-	24.00	24.00
Corpus Christi	TX		Shreveport LA UP	-	4.00	4.00
Corpus Christi	TX	BNSF	Laredo TX	1,950.20	-	(1,950.20)
Corpus Christi	TX	BNSF	Realitos TX	40.00	-	(40.00)
Corpus Christi	TX	UP	Corpus Christi TX	2.00	-	(2.00)
Corpus Christi	TX	UP	Laredo TX	10.00	-	(10.00)
Corpus Christi	TX	UP	Realitos TX	60.00	-	(60.00)
Dallas	TX		Laredo TX	-	60.00	60.00
De Ridder	LA		Laredo TX	-	20.00	20.00
East St Louis	IL		Laredo TX	-	0.50	0.50
East St Louis	IL	CN	Laredo TX	-	20.00	20.00
East St Louis	IL	CSXT	Laredo TX	-	173.25	173.25
East St Louis	IL	CSXT	Nuevo Laredo TM	-	0.25	0.25
East St Louis	IL	NS	Kansas City MO BNSF	0.50	-	(0.50)
East St Louis	IL	NS	Laredo TX	0.50	-	(0.50)
Geismar	LA		Laredo TX	-	30.00	30.00
Higginsville	MO		Kansas City MO UP	40.00	-	(40.00)
Higginsville	MO		Laredo TX	-	40.00	40.00
Hodge	LA		Dallas TX BNSF	0.50	-	(0.50)
Hodge	LA		Robstown TX BNSF	-	-	-
Houston	TX	BNSF	Laredo TX	142.00	-	(142.00)
Irene	LA		Laredo TX	-	-	-
Irene	LA		Laredo TX TFM	-	-	-
Jackson	MS		Laredo TX	-	30.00	30.00
Joliet	IL		Laredo TX	-	140.00	140.00
Kansas City	KS		Robstown TX	-	30.00	30.00
Kansas City	MO		Corpus Christi TX	-	21.00	21.00
Kansas City	MO		Laredo TX	-	50.00	50.00
Kansas City	MO	BNSF	Corpus Christi TX	-	435.50	435.50
Kansas City	MO	BNSF	Laredo TX	-	2,608.00	2,608.00
Kansas City	MO	BNSF	Realitos TX	-	40.00	40.00
Kansas City	MO	BNSF	Robstown TX	-	10.00	10.00
Kansas City	MO	CSXT	Laredo TX	0.75	-	(8.75)
Kansas City	MO	CSXT	Nuevo Laredo TM	0.25	-	(0.25)
Kansas City	MO	IMRL	Laredo TX	-	128.00	128.00
Kansas City	MO	IMRL	Laredo TX TFM	1.00	-	(1.00)
Kansas City	MO	NS	Laredo TX	0.50	1.25	0.75
Kansas City	MO	UP	Realitos TX	-	60.00	60.00
Laredo	TX		Birmingham AL	-	57.00	57.00

Table 2 (continued)
Expected Changes from Diversions, Cars per Year

Origin or On Junction	From Road	Destination or Off Junction	To Road	Cars Lost	Cars Gained	Net Change
Laredo	TX	Birmingham	AL BS	-	0.50	0.50
Laredo	TX	Birmingham	AL CSXT	0.50	52.50	52.00
Laredo	TX	Brookwood	AL CSXT	45.00	-	(45.00)
Laredo	TX	Corpus Christi	TX BNSF	416.00	-	(416.00)
Laredo	TX	East St Louis	IL CSXT	-	33.00	33.00
Laredo	TX	Houston	TX BNSF	90.00	-	(90.00)
Laredo	TX	Jackson	MS CN	-	20.00	20.00
Laredo	TX	Joliet	IL EJE	-	40.00	40.00
Laredo	TX	Kansas City	MO	-	20.00	20.00
Laredo	TX	Kansas City	MO BNSF	-	192.00	192.00
Laredo	TX	Lone Star	TX	-	6.00	6.00
Laredo	TX	Meridian	MS NS	37.50	1,204.25	1,166.75
Laredo	TX	Neosho	MO BNSF	-	4.00	4.00
Laredo	TX	New Orleans	LA CSXT	10.50	1,730.00	1,719.50
Laredo	TX	New Orleans	LA NS	3.75	-	(3.75)
Laredo	TX	Robstown	TX BNSF	110.00	-	(110.00)
Laredo	TX	Lone Star	TX	-	-	-
Madison	IL	TRRA	Kansas City	MO BNSF	0.50	-
Meridian	MS	NS	Alice	TX	-	(0.50)
Meridian	MS	NS	Laredo	TX	1.25	1,326.75
Meridian	MS	NS	Laredo	TX TFM	5.00	-
Meridian	MS	NS	Nuevo Laredo	TM	-	0.25
Neosho	MO	BNSF	Laredo	TX	-	14.00
New Orleans	LA	CN	Laredo	TX	-	90.00
New Orleans	LA	CSXT	Laredo	TX	0.25	110.00
New Orleans	LA	CSXT	Nuevo Laredo	TM	0.25	-
New Orleans	LA	NS	Laredo	TX	0.25	-
Nuevo Laredo	TM		Birmingham	AL CSXT	-	0.50
Nuevo Laredo	TM		New Orleans	LA CSXT	0.50	-
Paris	TX		Laredo	TX	-	-
Port Neches	TX		Beaumont	TX BNSF	-	-
Port Neches	TX		Laredo	TX	-	-
Robstown	TX		Kansas City	KS	-	-
Robstown	TX		Kansas City	MO	-	-
Robstown	TX	BNSF	Laredo	TX	12.00	-
Shreveport	LA	UP	Corpus Christi	TX	-	2.00
Shreveport	LA	UP	Laredo	TX	-	128.20
Topeka	KS		Laredo	TX	-	100.00
Vicksburg	MS		Laredo	TX	-	-
Vicksburg	MS		Laredo	TX TFM	-	-
West Point	MS	CAGY	Laredo	TX	2.75	-
Total				3,042.95	9,356.45	6,313.50

Figure 1
Diversion Changes
2001 Carloads



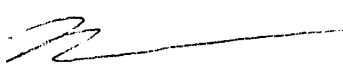
VERIFIED STATEMENT
OF
BENGT MUTÉN

I, Bengt Mutén, verify under penalty of perjury that I have read the foregoing statement and that it is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

STATE OF CONNECTICUT)

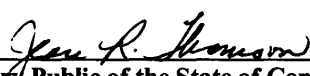
COUNTY OF FAIRFIELD)

ss. *Greenwich*



Bengt Mutén

Subscribed and sworn to before me
this 9th day of May, 2003.



Notary Public of the State of Connecticut

JEAN R. THOMSON

Notary Public

My Commission Expires June 30, 2003

VERIFIED STATEMENT OF JAMES L. RINEY

**IN SUPPORT OF THE
RAILROAD CONTROL APPLICATION
OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34342

My name is James L. Riney. I am General Manager of The Texas Mexican Railway Company ("Tex Mex"). My business address is Walker Plaza Bldg., Suite 350, 5810 San Bernardino Avenue, Laredo, Texas 78041.

Purpose of Statement

The purpose of this statement is to describe (1) the operations of Tex Mex in recent years; (2) cooperative efforts undertaken in recent months with Tex Mex's affiliated and connecting railroads, The Kansas City Southern Railway Company ("KCSR") and TFM, S.A. de C.V. ("TFM"), to meet some of the challenges facing Tex Mex; and (3) how the proposed control of Tex Mex by Kansas City Southern ("KCS") will allow the benefits of recent cooperative efforts to grow, benefiting Tex Mex, all of its connections, and the shippers they serve.

Witness' Background

I have been in the railroad industry for over 30 years. Currently, I am General Manager for Tex Mex. Prior to assuming my current duties, I was the General Superintendent of International Operations for Tex Mex and TFM in Laredo. Before that, I worked for Union Pacific Railroad Company ("UP") in a variety of management capacities, beginning as a Transportation Supervisor in Dalton, Illinois, and concluding as Superintendent - Transportation

Services in Fort Worth, Texas. During my career, I have also served as Vice President for the Rick Franklin Corporation, where my duties included establishment of management policies in the areas of operations, safety, and human resources; management of the company capital budget; sales and marketing; and contracting with various railroads, including The Burlington Northern and Santa Fe Railway Company ("BNSF"), UP and various short line railroads.

As General Manager of Tex Mex, I am responsible for providing day-to-day supervision and operational control of Tex Mex trains. I am on call 24 hours per day to deal with issues of all sorts, from customer service issues to track maintenance coordination.

Tex Mex's Operating Committee. In 2000, Tex Mex restructured its operations and reduced its workforce and management structure. Tex Mex's day-to-day operations are supervised by an operating committee of four persons. Lic. Mario Mohar is President and Chief Executive Officer of Tex Mex. He also is President and Chief Executive Officer of TFM, which holds the rail concession in northeast Mexico.

I am a member of Tex Mex's operating committee, along with Mr. Mohar, Mr. Gerald Davies, who is Vice President and Chief Operating Officer of KCSR, and Mr. Jerry Heavin, Senior Vice President, Operations of KCSR. Mr. Heavin particularly facilitates the interface between Tex Mex and KCSR with respect to a number of the operational initiatives described later in this statement.

The operating committee meets regularly by conference call to discuss the services Tex Mex must perform and how to accomplish them in light of operational constraints such as crew and equipment availability, any severe weather conditions which may affect service (floods or extreme heat, for example), and traffic volume. As General Manager, it is my job to put the decisions of the operating committee into practice on the railroad.

Overview of Tex Mex Operations

Tex Mex's Routes. Tex Mex owns and operates 157 miles of line extending from Corpus Christi to Laredo, TX. Tex Mex also operates between Robstown and Beaumont, TX, over approximately 400 miles of trackage rights granted by the Surface Transportation Board ("STB" or "Board") in the UP/Southern Pacific merger proceeding. Those trackage rights are limited to transportation of shipments having a prior or subsequent movement on Tex Mex's Laredo to Corpus Christi line.

Tex Mex interchanges with KCSR at Beaumont; with BNSF at Corpus Christi, Houston and Robstown; with UP at Corpus Christi, Houston, Laredo, Robstown, and Victoria, Texas; and with TFM at Laredo on the International Rail Bridge.¹ In conjunction with KCSR and KCSR's alliance with Canadian National/Illinois Central ("CN/IC"), Tex Mex helps complete a true NAFTA rail corridor between Canada, the U.S. and Mexico. Tex Mex also directly serves Corpus Christi, and has access to the Port of Houston via trackage rights. Those trackage rights enable Tex Mex to interchange with the Port Terminal Railroad Association ("PTRA") traffic that moves from or is destined to move over Tex Mex's own line.²

Only Tex Mex and UP serve Laredo directly. Each connects with TFM via the International Rail Bridge at Laredo. Tex Mex interchanges traffic it receives from BNSF at Robstown (or occasionally at Corpus Christi) and from KCSR at Beaumont to TFM at Laredo. UP interchanges a much larger volume of freight with TFM than does Tex Mex, however.

¹ Of these, Tex Mex's principal interchanges are KCSR at Beaumont, BNSF at Robstown and TFM at Laredo. Despite the number of physical interchanges with UP, almost no traffic is interchanged with UP, which itself serves Laredo directly.

² Tex Mex is also one of four voting members of the PTRA.

NAFTA's Effect on Tex Mex Traffic. Cross-border traffic encouraged by the North American Free Trade Agreement ("NAFTA") accounts for as much as 86% of the carloads handled by Tex Mex. The remaining Tex Mex traffic is handled for local customers on Tex Mex's line. Since 1995, Tex Mex's traffic volume has more than doubled, from about 36,000 carloads in 1996 to over 90,000 in 2001.

This tremendous traffic increase has created a need for operational improvements on Tex Mex's own line and on the lines where it operates via trackage rights, particularly UP's Brownsville Subdivision. A principal goal of this application is to facilitate these improvements.

Operational Needs on Tex Mex's Own Line. Tex Mex has made substantial infrastructure improvements since 1996 to help it handle its expanded operations and the tremendous increase in traffic, but a great deal more is needed. The improvements made since 1996 include a new 16-track yard and intermodal facility nine miles east of Laredo, the Serrano Yard, completed in 1998 at a cost of \$9.5 million; a new 8,500-foot siding near Robstown, completed in 1998 at a cost of \$1.5 million; a new connection at Robstown with the UP's Brownsville Subdivision, completed in 1998 at a cost of \$1 million; and a new 9,415-foot siding at Adel (on UP's Port LaVaca Branch between Victoria and Flatonia), completed in 1998 at a cost of \$2.25 million. In addition, to eliminate a principal cause of slow orders on its line, Tex Mex in 2001 replaced all of the 90# rail in the main line and did certain other track work, particularly in curved sections.

Nevertheless, approximately 11 miles of 110# and 112# non-control cooled rail that remain in Tex Mex's main line still need to be replaced to eliminate rail that is prone to defects. Replacement of 75# rail in Corpus Christi yard is also a priority to improve operational

effectiveness there. Other related track work has also been identified as a priority on a going-forward basis.

Tex Mex also needs to add more sidings on its line. Currently the average spacing of sidings on Tex Mex's line is about 40 miles apart. Ideally, to minimize train waiting time (and the resultant locomotive, fuel and crew expense) siding spacing of about 20 miles would significantly improve operational efficiency. The current distance between sidings on Tex Mex's line, along with slow orders, forced a spacing of 2 to 4 hours between opposing trains prior to our 2001 replacement of lightweight mainline rail. This meant that the maximum practical capacity between Laredo and Robstown was eight trains per day. The track improvements performed in 2001 cut that waiting time in half, but it could be halved again by adding and expanding sidings in addition to those already installed along Tex Mex's line. The grant of this application will help make this possible.

These factors that existed on Tex Mex's main line prior to the 2001 track work produced higher costs through increased locomotive costs (leases), higher fuel usage, crew overtime, reduced flexibility in crew planning and scheduling, and increased car hire charges. Delays to traffic also sometimes resulted in missed schedules for crossing into Mexico or with UP denying Tex Mex access to UP's Brownsville Subdivision.

UP's Brownsville Subdivision, which BNSF and Tex Mex both use under trackage rights, is very heavily congested. At timetable speeds (which generally have declined since the UP/SP merger), Tex Mex's Robstown-to-Victoria trip could be made in about three hours. However, due to congestion on the Brownsville Subdivision, UP dispatchers often refuse a Tex Mex train entry onto the trackage rights line unless the crew has 5 or even 6 hours of service available. A

UP study in November 2002 showed the Brownsville Subdivision to be capable of handling 11 to 13 trains per day, but I estimate that between 19 and 22 trains per day currently use that track.

Tex Mex and BNSF have worked with UP to resolve the deteriorating track conditions and to increase the capacity of the Brownsville Subdivision, especially in those areas utilized by all three carriers. Indeed, all parties recognize the need for additional capacity, and are working toward a plan to resolve this problem. While the grant of this application will help improve many operational issues for Tex Mex, cooperation of other carriers such as UP will also be needed to improve operational efficiency and service for all shippers in south Texas and for cross-border traffic moving over Laredo.

Current Coordination Between KCSR and TFM
Will Facilitate the Transition to Unified Ownership and Control

Since 1996, the operations of Tex Mex and KCS have become more closely coordinated. This close coordination is due not only to KCS's substantial ownership interest in Tex Mex but also is a necessary outgrowth of the Board's decision in 1996 to grant Tex Mex trackage rights over UP's lines between Robstown, Texas and a connection with KCS at Beaumont, Texas for traffic moving over Tex Mex's Laredo-Corpus Christi line. The Board granted these rights as a condition of its approval of the UP/SP merger.

Tex Mex and KCS have worked hard together to provide the effective competitive alternative to UP that the Board sought to ensure in its UP/SP merger decision. Since 1996, Tex Mex has been exercising the trackage rights granted by the Board, and the volume of traffic it has moved over the trackage rights lines has steadily increased. Most of the traffic Tex Mex has moved over the trackage rights lines has been traffic interchanged with KCS at Beaumont. In 2002, Tex Mex moved 44,806 carloads over the trackage rights. I would estimate that more than 95 percent of those were interchanged with KCS.

Paralleling the increase in traffic interchanged with KCS has been an increased coordination of operational functions of Tex Mex and KCS. Operations of Tex Mex and KCS have become closely coordinated in a number of areas as the volume of traffic moving over Tex Mex's trackage rights has increased. Because of this existing coordination, bringing these two already-affiliated companies under control of the same holding company should not result in any disruption of service because no fundamental changes in service patterns will occur.

During 2002, Tex Mex and KCSR began a number of operational coordination efforts to further enhance Tex Mex's efficiency. These include KCSR (and TFM) pre-blocking of cross border traffic, consolidation of Tex Mex's dispatching to KCSR's System Transportation Center, and centralization of fleet management. These efforts have already paid off in terms of more fluid and efficient operations and better service. Bringing Tex Mex under common control with KCSR will allow expansion of these efforts and accrual of greater benefits to Tex Mex and the shippers whose traffic it serves.

Pre-Blocking of Cross-Border Traffic. Earlier this year, KCSR, Tex Mex and TFM implemented a plan to pre-block trains moving to and from Mexico. Pre-blocking allows KCSR and TFM to coordinate more directly movements between their systems for which Tex Mex is only a bridge carrier. Pre-blocking relieves Tex Mex of the cost and responsibility for switching cars and blocking trains, and allows more rapid movement of freight to and from Mexico. For a carrier such as Tex Mex, which functions as a bridge carrier for over 85% of its traffic, the savings from these measures are substantial.

The primary blocking of southbound KCSR cars is done at Bossier City (Shreveport) Yard. Each day, KCS originates a train at Jackson, MS, containing only Mexico-bound traffic. All cars that have not been approved for clearance into Mexico are removed from the train at

Bossier City. The train then is pre-blocked to interior destinations in Mexico, with blocks for Mexico City, Monterrey and for other destinations. At Beaumont, TX, the train picks up previously cleared and blocked cars originating in the Beaumont and Lake Charles areas. When the train departs Beaumont, it bypasses all terminals on Tex Mex and has the capability to operate directly over the border. This service plan is monitored daily by KCSR's service design group, which then coordinates with Tex Mex and TFM to ensure that any performance and/or data issues are resolved in a timely manner.

Performance of this train over Tex-Mex has been exceptional. For example, in March 2002, there was a daily average of 200 cars awaiting clearance to cross the border southbound. Within about three months following implementation of this pre-blocking operation, the daily average had dropped to 58 cars. Transit times have been reduced by one to two days, for a total transit of six to seven days from any point on KCSR or Tex Mex to Monterrey or Mexico City, Mexico. And Tex Mex is delivering 94 percent on-time performance with southbound traffic.

Similarly, TFM pre-blocks northbound traffic for movement across Tex Mex to connections with BNSF and KCSR. BNSF also pre-blocks cars moving to Mexico via BNSF's connection with Tex Mex at Robstown. These efforts have led to more efficient service for shippers on all of Tex Mex's connections.

Transportation Center Consolidation. On June 2, 2002, operational control for Tex Mex trains and crews was moved from Laredo to the KCSR System Transportation Center ("STC") in Shreveport, LA. Functions moved to Shreveport include dispatching, crew management, crew calling, timekeeping, locomotive utilization planning and management, and train operation management.

The goal of the change was to improve Tex Mex operations and make the transit seamless from Bossier City Yard, where trains are blocked for TFM destinations, to the border and into Mexico. The transition was accomplished smoothly, thanks to teamwork by a joint Tex Mex-KCSR working group that included me, Tex Mex's superintendent of operations, and KCSR personnel in Kansas City and Shreveport. I expect that KCSR and Tex Mex will be equally able to manage a smooth transition to common control once this application is approved.

Since the consolidation, customer service representatives from TFM, Tex Mex and KCSR talk weekly about the joint operation. Each week, this joint service team covers service performance related to the new pre-blocking plan for traffic going southbound into Mexico, clearances that will help expedite traffic, technology updates such as Electronic Data Interchange ("EDI") performance and billing, as well as current customer issues. The team looks to perfect a seamless, one-stop customer service approach for moving traffic in and out of Mexico.

Fleet Management Centralization. Effective July 1, 2002, the equipment control group at the STC began managing and assisting Tex Mex and TFM in empty equipment orders for Tex Mex originations. This change enables the equipment control group to coordinate Tex Mex and TFM equipment needs with those of KCSR to ensure that equipment is available in a timely manner and to make the most economical decision for protecting Tex Mex loading requirements. All fleet lease renewals and acquisitions are now handled in Kansas City by the director of asset utilization.

Because of these existing coordination efforts, I do not anticipate that bringing Tex Mex under common control with KCSR will result in any service disruptions. KCSR and Tex Mex already work closely together in a number of areas. Bringing the two companies into a closer control arrangement should not disrupt these existing patterns. On the contrary, as discussed

below, it will further the integration of the KCSR-Tex Mex system, strengthening the ability of that system to provide more efficient and economic rail service between the United States and Mexico and to be a more effective competitor to UP for that service.

Anticipated Benefits of Common Control

The rapid growth of NAFTA traffic volumes in the past decade shows tremendous potential for the future of the NAFTA Railway. KCSR, Tex Mex and TFM have marketed themselves to handle this traffic for a number of years, and traffic volumes have increased significantly. The common control proposed in this application will foster KCSR's and Tex Mex's ability to handle this traffic efficiently and to offer a more competitive alternative to UP and to trucks.

Improved Infrastructure. The common control proposed in this application will facilitate the additional track work that is needed on Tex Mex's line to extend the recent operational efficiency gains for the long term. Tex Mex estimates that an additional \$42 million in upgrades is necessary to put Tex Mex's main line in condition to handle the volume of freight that is expected over the next 30 or more years. These upgrades include -

- replacing all remaining non-control-cooled rail in the track;
- welding all of main line rail between Robstown and Laredo, either with 115# CWR or with relayed 100# CWR from the line;
- replacing all 75# rail at Corpus Christi Yard;
- installing 80,000 ties in the main line sections where ties were not replaced in 2001, and
- rehabilitating bridges and replacing one approximately 100-foot long bridge.

Also, in order to reduce train meets to a maximum of 30 minutes from current 1 to 2 hours, Tex Mex plans to build two new sidings, extend two existing sidings, and relay the remaining 4 existing sidings.

Overall, Tex Mex's planned rehabilitation project will:

- eliminate long-term slow orders;
- reduce track maintenance costs;
- improve operating speeds;
- reduce train meet time (saving crew and equipment expenses and vastly increasing the number of trains that can flow over the line);
- increase the train-handling capacity of the line from a current maximum of 8 to 9 trains per day to a maximum of 15 to 20 trains per day;
- reduce or eliminate derailments, reducing derailment expenses and insurance costs, and
- improve service reliability, making Tex Mex a more attractive and competitive route for its connections.

Common control of KCSR and Tex Mex will facilitate this track work. Tex Mex has submitted an initial application for a RRIF loan to finance completion of this major line rehabilitation. Adding the size and financial strength of KCS to that of Tex Mex and the unification of control of Tex Mex under a single corporate parent will facilitate obtaining this important loan.

Implementation of MCS on Tex Mex. KCS has agreed to license its Management Control System - MCS - for implementation on Tex Mex. MCS enables a railroad to proactively manage shipments across its system, to facilitate customer interface, and to track and control costs. Implementation of MCS on KCSR during 2002 is currently paying off, especially in reductions of car hire expense and increases in car hire revenues.

MCS is a state of the art system. The larger the territory over which it can be applied, the greater its effectiveness. Until common control authority is achieved, Tex Mex and KCSR traffic data will be kept separate. Once common control is approved, it will be possible for Tex Mex and KCSR to use MCS to control shipments across their combined systems, increasing the effectiveness of MCS in creating cost savings. This will further improve the convenience of doing business on the NAFTA Railway.

Victoria-Rosenberg. In early March 2001, Tex Mex acquired from UP the unused 84.5-mile section of its Victoria to Rosenberg line. Due to an ongoing lawsuit challenging Tex Mex's title to the line and to other issues, Tex Mex has not yet moved forward with restoration of that line. Once common control is accomplished and ownership disputes over the Rosenberg Line are resolved, the parties expect to turn attention to the Victoria-Rosenberg line as the next major capital project on the Tex Mex.

Consolidated and Strengthened Marketing and Customer Service Capabilities. While KCSR and Tex Mex have coordinated aspects of their operations for a number of months, marketing and customer service functions for Tex Mex have remained with TFM. The need for a shipper to contact multiple marketing departments to arrange a shipment between the U.S.-Mexico border and an interior point within the U.S. is a deterrent to generating traffic. Common control approval will allow for consolidation of the marketing and customer service functions of KCSR and Tex Mex, improving responsiveness to customers and encouraging tender of added traffic.

Unified Vision and Financial Resources. Perhaps the greatest benefit of the proposed control of Tex Mex will be establishment of a unified vision and responsibility for the company. For the past several years, Tex Mex has been owned indirectly by KCS and Grupo TMM, S.A. ("GTMM"). Each of these major companies is somewhat different in terms of its vision for itself and its affiliates. Also, being domiciled in different countries, the companies are subject to somewhat different economic cycles and conditions, variously affecting their ability to generate additional capital or to incur debt. There have been times where these differing factors have made it difficult to muster the capital or to make the choices needed to move Tex Mex forward.

The proposal before the Board will allow Tex Mex to be developed as part of a larger, more competitive rail system, governed by a unified vision. Tex Mex's parent will become a direct, wholly-owned subsidiary of KCS. If Mexican authorities and KCS and GTMM shareholders approve, TFM will also become a part of KCS. The companies will then be able to coordinate their operations through a single management structure better than through the current Tex Mex management structure, which in essence requires separate approvals from 2 management groups - GTMM and KCS, the principal owners of TFM.

Consolidation of Administrative Functions and Purchasing. Added savings will be derived from combining and coordinating administrative and purchasing functions. For example, bringing KCSR and Tex Mex under common control will allow time-keeping and payroll processing services to be consolidated under single management, which should result in improved processing and cost savings. Similarly, the combined financial resources of Tex Mex and KCS should allow purchasing of materials in larger quantities, taking advantage of purchasing leverage and yielding cost savings.

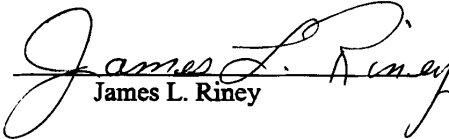
Conclusion

In recent years, Tex Mex has suffered operating deficits due to high operating costs. Common control of KCSR and Tex Mex, and potentially TFM, will allow expansion of the types of economies which the operating initiatives undertaken by Tex Mex, KCS and TFM during the past year have brought about. In addition to this greater coordination, KCS's control of Tex Mex and KCSR will amplify cost savings opportunities through elimination of redundant management functions and through greater purchasing economies, as well as through a greater ability to attract capital. The proposed common control transaction will make Tex Mex a more vital part of an overall more competitive system, better able to compete with UP and with trucks.

CERTIFICATION

STATE OF TEXAS)
)
COUNTY OF WEBB) ss.

Before me, the undersigned authority, personally appeared James L. Riney, a person known to me, who, being by me duly sworn, deposed and said that he had read the foregoing Verified Statement and that said statement is true and correct.


James L. Riney

Subscribed and sworn to before me

this 9th day of May, 2003.



Notary Public of the State of Texas

My commission expires: 8-14-05

VERIFIED STATEMENT OF STEVEN L. HEFLEY

**IN SUPPORT OF THE
RAILROAD CONTROL APPLICATION
OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34342

Introduction

My name is Steven L. Hefley. I am the Chief Transportation Officer of The Kansas City Southern Railway Company ("KCSR"). I have offices at KCSR headquarters in Kansas City, MO, and at the company's System Transportation Center ("STC") in Shreveport, LA.

Purpose of Statement

The purpose of this statement is to discuss the background of the Operating Plan, Exhibit 15 to this application, which I primarily developed. In particular, this statement discusses my familiarity with the operations of KCSR and The Texas Mexican Railway Company ("Tex Mex"); operational efficiencies and economies achievable as a result of bringing KCSR and Tex Mex under common control; traffic diversions expected to result from those efficiencies; and the ability of the KCSR/Tex Mex system to absorb the projected traffic diversions safely and without a need to add trains on the KCSR or Tex Mex systems.

Witness Qualifications

As Chief Transportation Officer of KCSR, my responsibilities include overseeing KCSR's daily railroad operations; that is, how KCSR trains move across the lines that KCSR owns and where it has trackage rights. Much of that work is coordinated out of the STC in

Shreveport. From these responsibilities, I have personal knowledge of how KCSR moves its traffic across its system each day.

I am also familiar with the operations of Tex Mex. KCSR last year began providing a number of operational services to Tex Mex. In June 2002, operations control for Tex Mex was moved from Laredo to the STC. There, KCSR provides Tex Mex with dispatching, crew management, and locomotive management services.

KCSR assists Tex Mex operations in other ways as well. Beginning July 1, 2002, KCSR began helping Tex Mex and TFM in railcar fleet management and supply. This provides Tex Mex better assurance of equipment availability while saving Tex Mex on car costs. KCSR also blocks cars in Shreveport, LA for movement across Tex Mex into Mexico, to speed movement of freight and reduce Tex Mex expenses connected with switching and blocking southbound cars.¹ From my involvement with providing these services for Tex Mex, I am familiar with Tex Mex's overall operations and how they coordinate with KCSR's operations.

These recent changes have already caused a number of efficiency improvements. Coupled with the track rehabilitation work done on Tex Mex's main line track in 2001, these changes are beginning to allow Tex Mex to show some of the promise it holds as a key link in the NAFTA railroad. The present common control application seeks to carry that promise to the next level.

Administrative and Management Efficiencies

The proposed common control of KCSR and Tex Mex is expected to generate operating efficiencies that will improve the overall ability of the combined system to operate efficiently,

¹ TFM, S.A. de C.V. ("TFM") also pre-blocks northbound traffic, eliminating the need for switching of much of that traffic by Tex Mex.

create cost savings and become more competitive with UP and with trucks. Administrative and management efficiencies are expected to include the following:

1. Installation of a Common, State-of-the-Art, Operating Platform. KCSR has agreed to license its computerized Management Control System ("MCS") for installation and operation on Tex Mex. MCS is designed to improve customer interface with the railroad and to allow trip planning of each shipment. It also functions as a cost tracking and cost control tool.

KCSR has been using the MCS system for 10 months now. Despite some initial difficulties in deployment of the new system, the system is currently operating effectively and allowing more efficient management of the railroad. For example, MCS has allowed KCSR to significantly reduce car hire payments due to other carriers, while increasing the use of KCSR cars on other lines. Having now deployed MCS on two railroads - initially on the former Gateway Western property and now on KCSR as a whole - KCSR has the knowledge to assist Tex Mex to implement this system with minimal difficulties.

While Tex Mex will utilize the same MCS software as KCSR, Tex Mex and KCSR will not combine their traffic data prior to approval of this application. Following the approval of this application, MCS will provide a common operating platform for KCSR and Tex Mex to integrate their MCS operations in the future.

Some labor costs will be eliminated as a result of the additional automation, as Tex Mex exchanges more information with its customers electronically. More importantly, MCS will give the Tex Mex management team new tools to use in planning and operating the railroad. These tools will reduce transit time on shipments and optimize use of the combined KCSR-Tex Mex car fleet, leading to reduced car hire costs,

improved service, and a greater ability to meet customer requirements. In addition, MCS will improve tracking of freight and equipment, as well as improving billing and collecting for demurrage and switching.

2. Improved Freight Car Utilization. Access to the railcar fleets of both KCSR and Tex Mex will provide shippers a broader availability of car types, and allow a reduction in overall car hire costs. One of the functions of Kansas City Southern ("KCS"), the holding company, will be to provide oversight, coordination and management of the overall railcar fleet. The combined purchasing power of KCSR and Tex Mex will make leasing cars more cost-effective because of the leverage available to a larger fleet. There will also be opportunities to optimize the fleet by eliminating redundant or otherwise unneeded equipment.
3. Improved Performance of the Locomotive Fleet. Synergies available for the consolidated locomotive fleet are expected to allow for improved locomotive utilization and reduction in the total fleet size through elimination of older or inefficient units. Fuel costs, which represent a large expense for railroads, will be reduced as KCS exercises the purchasing power of the larger coordinated fleet of locomotives and improves locomotive utilization.
4. Improved Coordination of Marketing. Tex Mex currently has a marketing staff of three people. By consolidating marketing functions in Kansas City, Tex Mex will have a much larger marketing staff on which it can call. There are substantial marketing opportunities available in Houston and Corpus Christi, but Tex Mex's current marketing is somewhat overshadowed in competing for this business by the large marketing departments of BNSF and UP. This transaction will give Tex Mex a deeper sales force on which to call to win traffic from its Class I competitors.

5. Reduced Time-Keeping and Payroll Processing Costs. Bringing KCSR and Tex Mex under common control will allow time-keeping and payroll processing services to be consolidated under single management, which should result in improved processing and cost savings.
6. Combined Financial Strength Will Facilitate Track Upgrades. Combining the financial strength of KCSR and Tex Mex is expected to allow easier access to capital for Tex Mex. This will allow for financing Tex Mex's planned track rehabilitation on more favorable terms than could be achieved if Tex Mex were to pursue financing options on its own.
7. Consolidation of General and Administrative Functions. This transaction will allow elimination of some duplicative facilities and some duplicative management functions, primarily by elimination of management personnel involved with the car and locomotive pools. There are no plans to eliminate any railroad operating personnel.

Traffic Diversion Study

Improved operating coordination between KCSR and Tex Mex and other benefits of the proposed common control relationship will, economic models project, allow the KCSR/Tex Mex routing to attract additional traffic. These traffic diversions are projected in a study performed by Reebie Associates ("Reebie"). That study projects the gradual diversion to KCSR and Tex Mex routings of 6,313 carloads annually by the end of three years following consummation of common control. About two-thirds of the diverted traffic would be traffic interchanged between Norfolk Southern and KCSR at Meridian, MS or from KCSR to CSX Transportation at New Orleans. This traffic would move between these U.S. points and Mexico. The diversion totals an average of about 17 carloads per day to KCSR and Tex Mex.

Two of the assumptions underlying the diversion study require brief discussion. First, the

diversion study assumes that there will be significant upgrades to Tex Mex's infrastructure during the three years after common control is approved. As explained in the accompanying Verified Statement of James L. Riney, Tex Mex's operating efficiency has been hampered in recent years by the need for significant track rehabilitation. Such rehabilitation work began in 2001 and has paid dividends. I know by virtue of discussions with other KCSR officials that continuing the upgrade of Tex Mex's track is a high priority goal to be accomplished once common control is achieved.

The diversion study also assumes that Tex Mex's operations over UP's lines will be as efficient as if Tex Mex owned those lines. Currently that is not the case. The section of UP's Brownsville Subdivision utilized by Tex Mex is often near gridlock these days. From my responsibilities overseeing dispatching and crew calling for Tex Mex trains since June of last year, I am aware that Tex Mex incurs substantial delays in its operation on UP's Brownsville Subdivision and sometimes on the adjoining segment known as the Port LaVaca Branch. I understand that a UP study conducted late last year showed the capacity of the Brownsville Subdivision to be between 11 and 13 trains per day, while Mr. Riney currently estimates that between 19 and 22 trains per day are operating on the line. UP's study showed significant delays suffered by all carriers using the Brownsville Subdivision. Tex Mex's study of its own trains reflected similar results.² These delays significantly increase Tex Mex's train operating costs, including crew costs. However, it would be my expectation that, having discovered these huge cost-causing delays, the railroads would make a concerted effort to do what is within their powers to improve the operating conditions on UP's Brownsville Subdivision between Robstown and Bloomington/Placedo, for the benefit of all concerned.

² For more information about these studies, see Mr. Riney's verified statement.

Development of the Operating Plan

Based on my knowledge of the operations of both KCSR and Tex Mex, I was principally responsible for developing the Operating Plan, Exhibit 15 to this application, to show any operational changes needed to accommodate the changes in traffic flow shown in the traffic diversion study. The Operating Plan speaks for itself and I will not repeat its details here, but I do want to elaborate on its fundamental theme that KCSR and Tex Mex train and yard operations will not change significantly as a result of the transaction that is before the Board for approval.

As I understand it, the Board's regulations for the Operating Plan in this type of application call for discussion of any significant changes in patterns or types of service expected after consummation of the transaction. In particular, the regulations call for submission of information on 4 specific issues, namely -

- (1) Traffic level density on lines proposed for joint operations;
- (2) Impacts on commuter or other passenger service operated over a line which is to be downgraded, eliminated, or operated on a consolidated basis;
- (3) Operating economies, which include, but are not limited to, estimated savings; and
- (4) Any anticipated discontinuances or abandonments.

KCS has held a substantial indirect minority interest in Tex Mex for several years. As a result, KCSR and Tex Mex have made significant efforts over the years to coordinate their operations on traffic that they interchange with each other, in order to save each company money. The operating services that KCSR began to provide Tex Mex last summer, as discussed above, were a continuation of that trend toward coordination between these affiliated companies.

Because Tex Mex and KCSR have already coordinated some aspects of their operations on an arm's-length basis, it is not anticipated that bringing the two companies under common control will have a significant effect on traffic levels or other basic operating indicators. While

some additional economies and coordination will result from KCSR and Tex Mex coming under common control, those changes are not expected to result in large scale diversions of traffic or significant changes in train operations.

The projected diversions of traffic would add only slightly to KCSR's and Tex Mex's total carload volume. The diversion study projects an annual diversion to KCSR/Tex Mex routing of 6,313 carloads by the end of the third year following the grant of this application. In light of the fact that KCSR handled over 930,000 carloads of freight in 2001, this increase is only about a seven-tenths of one percent (0.7%) increase in freight. KCSR's system has about 25,000 cars on line on any given day, so the addition of 17 carloads would be smoothly absorbed by KCSR's system.

Diverted shipments could be handled within the framework of KCSR/Tex Mex's existing operations, without adding trains or increasing yard switching assignments at any involved KCSR or Tex Mex rail yard. Reebe determined the likely changes in routing of diverted traffic from other carriers' lines to the commonly-controlled KCSR/Tex Mex. The results of that analysis are contained in Appendix 1. As identified on Appendix 1, the principal changes in traffic flows projected to result from common control of KCSR and Tex Mex are the following:

Origin or On Junction	From Road	Destination or Off Junction	To Road	Net Cars Gained (Or Lost)
Corpus Christi, TX	BNSF	Laredo, TX	-	(1,950)
Kansas City, MO	BNSF	Corpus Christi, TX	-	436
Kansas City, MO	BNSF	Laredo, TX	-	2,608
Laredo, TX	-	Meridian, MS	NS	1,167
Laredo, TX	-	New Orleans, LA	CSXT	1,720
Meridian, MS	NS	Laredo, TX	-	1,326

These movements can be handled in conjunction with existing KCSR and Tex Mex movements. Traffic interchanged to KCSR at Kansas City bound for Mexico would be blocked

in Kansas City. That block would be switched at Bossier City (Shreveport) Yard to a train originating at Jackson, MS, containing solely traffic destined and cleared for movement into Mexico. The train would be interchanged to Tex Mex at Beaumont for run through service to the border, without further switching of cars by Tex Mex. Similarly, northbound traffic received from TFM and destined for interchange to NS at Meridian or CSXT at New Orleans is pre-blocked to eliminate switching by Tex Mex. In all cases, the average daily car volumes projected to be diverted would be compatible with movement in existing KCSR and Tex Mex trains, without the need to add trains or switching assignments in yards. Details of this handling are set forth in the Operating Plan.

KCSR currently operates at least one train per day on each of the line segments affected by these projected diversions. Tex Mex operates a daily train southbound from Beaumont to Laredo or the Mexican border, and a daily train northbound from Laredo to Beaumont. All of these trains could handle a number of additional cars without a need for increase in motive power and without creating any other significant operating issues. Thus, the anticipated daily addition of carloads resulting from this application could be absorbed within KCSR's and Tex Mex's existing train operations on the affected lines without the need to add trains or otherwise significantly change traffic patterns.

These additional carloads also would not significantly impact yard operations. Kansas City Yard and Bossier City Yard are the two busiest on KCSR's system, and could handle one or two dozen additional cars easily. The yard facilities at Meridian and Jackson also each handle hundreds of cars per day, and the addition of the number projected by the Reebe study would not significantly affect their operation either. Seldom would the projected traffic move through the yard at Beaumont, as KCSR's interchange with Tex Mex at Beaumont is generally a main-

line interchange. Finally, because of pre-blocking of cross-border traffic by KCSR and TFM, virtually no additional switching would be required in Serrano Yard at Laredo. As with KCSR's and Tex Mex's trains operations, the carloads projected to be diverted to the KCSR/Tex Mex system by the end of three years after consummation of common control would have no noticeable impact on KCSR or Tex Mex yards.

Conclusion

The principal savings resulting from this application will come from improvements in efficiency and management that are only available to larger carriers, such as the ability to operate with a single pool of locomotives and freight cars for the two railroads. This, in particular, will provide Tex Mex with flexibility it has not previously had, and will result in cost savings by allowing fleet size to more closely match Tex Mex's needs. Meanwhile, the modest additional traffic projected by the Reebie diversion analysis can readily be accommodated in existing train and yard operations, making each more productive. In this manner and in other similar respects that are spelled out in greater detail in the Operating Plan, the transaction before the Board will yield cost savings to KCSR and Tex Mex, yet will not perceptibly change day-to-day train or yard operations of the two companies.

Appendix 1

Expected Changes from Diversions, Cars per Year

Origin or On Junction	From Road	Destination or Off Junction	To Road	Cars Lost	Cars Gained	Net Change
Beaumont	TX	UP	Alice TX	2.50	-	(2.50)
Birmingham	AL	BS	Corpus Christi TX	-	10.00	10.00
Birmingham	AL	CSXT	Laredo TX	1.75	-	(1.75)
Brookwood	AL	CSXT	Laredo TX	2.50	-	(2.50)
Columbus	MS	CAGY	Laredo TX	-	2.75	2.75
Columbus	MS	GTRA	Laredo TX	-	60.00	60.00
Corpus Christi	TX		Corpus Christi TX UP	4.00	-	(4.00)
Corpus Christi	TX		Meridian MS NS	-	68.00	68.00
Corpus Christi	TX		Neosho MO BNSF	-	24.00	24.00
Corpus Christi	TX		Shreveport LA UP	-	4.00	4.00
Corpus Christi	TX	BNSF	Laredo TX	1,950.20	-	(1,950.20)
Corpus Christi	TX	BNSF	Realitos TX	40.00	-	(40.00)
Corpus Christi	TX	UP	Corpus Christi TX	2.00	-	(2.00)
Corpus Christi	TX	UP	Laredo TX	10.00	-	(10.00)
Corpus Christi	TX	UP	Realitos TX	60.00	-	(60.00)
Dallas	TX		Laredo TX	-	60.00	60.00
De Ridder	LA		Laredo TX	-	20.00	20.00
East St Louis	IL		Laredo TX	-	0.50	0.50
East St Louis	IL	CN	Laredo TX	-	20.00	20.00
East St Louis	IL	CSXT	Laredo TX	-	173.25	173.25
East St Louis	IL	CSXT	Nuevo Laredo TM	-	0.25	0.25
East St Louis	IL	NS	Kansas City MO BNSF	0.50	-	(0.50)
East St Louis	IL	NS	Laredo TX	0.50	-	(0.50)
Geismar	LA		Laredo TX	-	30.00	30.00
Higginsville	MO		Kansas City MO UP	40.00	-	(40.00)
Higginsville	MO		Laredo TX	-	40.00	40.00
Hodge	LA		Dallas TX BNSF	0.50	-	(0.50)
Hodge	LA		Robstown TX BNSF	-	-	-
Houston	TX	BNSF	Laredo TX	142.00	-	(142.00)
Irene	LA		Laredo TX	-	-	-
Irene	LA		Laredo TX TFM	-	-	-
Jackson	MS		Laredo TX	-	30.00	30.00
Joliet	IL		Laredo TX	-	140.00	140.00
Kansas City	KS		Robstown TX	-	30.00	30.00
Kansas City	MO		Corpus Christi TX	-	21.00	21.00
Kansas City	MO		Laredo TX	-	50.00	50.00
Kansas City	MO	BNSF	Corpus Christi TX	-	435.50	435.50
Kansas City	MO	BNSF	Laredo TX	-	2,608.00	2,608.00
Kansas City	MO	BNSF	Realitos TX	-	40.00	40.00
Kansas City	MO	BNSF	Robstown TX	-	10.00	10.00
Kansas City	MO	CSXT	Laredo TX	0.75	-	(8.75)
Kansas City	MO	CSXT	Nuevo Laredo TM	0.25	-	(0.25)
Kansas City	MO	IMRL	Laredo TX	-	128.00	128.00
Kansas City	MO	IMRL	Laredo TX TFM	1.00	-	(1.00)
Kansas City	MO	NS	Laredo TX	0.50	1.25	0.75
Kansas City	MO	UP	Realitos TX	-	60.00	60.00
Laredo	TX		Birmingham AL	-	57.00	57.00

Appendix 1 (continued)

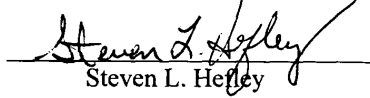
Expected Changes from Diversions, Cars per Year

Origin or On Junction	From Road	Destination or Off Junction	To Road	Cars Lost	Cars Gained	Net Change
Laredo	TX	Birmingham	AL BS	-	0.50	0.50
Laredo	TX	Birmingham	AL CSXT	0.50	52.50	52.00
Laredo	TX	Brookwood	AL CSXT	45.00	-	(45.00)
Laredo	TX	Corpus Christi	TX BNSF	416.00	-	(416.00)
Laredo	TX	East St Louis	IL CSXT	-	33.00	33.00
Laredo	TX	Houston	TX BNSF	90.00	-	(90.00)
Laredo	TX	Jackson	MS CN	-	20.00	20.00
Laredo	TX	Joliet	IL EJE	-	40.00	40.00
Laredo	TX	Kansas City	MO	-	20.00	20.00
Laredo	TX	Kansas City	MO BNSF	-	192.00	192.00
Laredo	TX	Lone Star	TX	-	6.00	6.00
Laredo	TX	Meridian	MS NS	37.50	1,204.25	1,166.75
Laredo	TX	Neosho	MO BNSF	-	4.00	4.00
Laredo	TX	New Orleans	LA CSXT	10.50	1,730.00	1,719.50
Laredo	TX	New Orleans	LA NS	3.75	-	(3.75)
Laredo	TX	Robstown	TX BNSF	110.00	-	(110.00)
Laredo	TX	TFM Lone Star	TX	-	-	-
Madison	IL	TRRA Kansas City	MO BNSF	0.50	-	(0.50)
Meridian	MS	NS Alice	TX	-	-	-
Meridian	MS	NS Laredo	TX	1.25	1,326.75	1,325.50
Meridian	MS	NS Laredo	TX TFM	5.00	-	(5.00)
Meridian	MS	NS Nuevo Laredo	TM	-	0.25	0.25
Neosho	MO	BNSF Laredo	TX	-	14.00	14.00
New Orleans	LA	CN Laredo	TX	-	90.00	90.00
New Orleans	LA	CSXT Laredo	TX	0.25	110.00	109.75
New Orleans	LA	CSXT Nuevo Laredo	TM	0.25	-	(0.25)
New Orleans	LA	NS Laredo	TX	0.25	-	(0.25)
Nuevo Laredo	TM	Birmingham	AL CSXT	-	0.50	0.50
Nuevo Laredo	TM	New Orleans	LA CSXT	0.50	-	(0.50)
Paris	TX	Laredo	TX	-	-	-
Port Neches	TX	Beaumont	TX BNSF	-	-	-
Port Neches	TX	Laredo	TX	-	-	-
Robstown	TX	Kansas City	KS	-	-	-
Robstown	TX	Kansas City	MO	-	-	-
Robstown	TX	BNSF Laredo	TX	12.00	-	(12.00)
Shreveport	LA	UP Corpus Christi	TX	-	2.00	2.00
Shreveport	LA	UP Laredo	TX	-	128.20	128.20
Topeka	KS	Laredo	TX	-	100.00	100.00
Vicksburg	MS	Laredo	TX	-	-	-
Vicksburg	MS	Laredo	TX TFM	-	-	-
West Point	MS	CAGY Laredo	TX	2.75	-	(2.75)
Total				3,042.95	9,356.45	6,313.50

VERIFICATION

I, Steven L. Hefley, verify under penalty of perjury that I have read the foregoing statement and that it is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on May 9, 2003

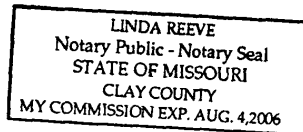

Steven L. Hefley

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

Subscribed and sworn to before me
this 9th day of May 2003.


Notary Public of the State of Missouri

My commission expires: _____



VERIFIED STATEMENT OF EMERSON M. BOUCHARD
IN SUPPORT OF THE
RAILROAD CONTROL APPLICATION
OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY
BEFORE THE
SURFACE TRANSPORTATION BOARD
FINANCE DOCKET NO. 34342

My name is Emerson M. Bouchard, and I am the Vice President – Labor Relations for Kansas City Southern (“KCS”). In that capacity, I am generally responsible for overseeing all labor relations activities within KCS, including, but not limited to, the negotiation and administration of collective bargaining agreements. I also serve as KCS’ representative on the National Carriers’ Conference Committee, a committee of the National Railway Labor Conference, which represents most major railroad companies in the United States in national collective bargaining.

I have worked as a labor relations professional in the railroad industry for 30 years. In 1996 I was employed by KCS as Asst. Vice President Labor Relations. I assumed my current position in May, 1999.

The purpose of my verified statement is to explain the anticipated effect of the continuance of control of The Kansas City Southern Railway Company (“KCSR”) and Gateway Eastern Railway Company (“GWER”) and the acquisition of control of The Texas Mexican Railway Company (“Tex Mex”) by KCS, which will change its name to NAFTA Rail. During the preparation of this statement, I have reviewed in detail the Operation Plan – Minor (Exhibit

15), and have discussed with officials of KCSR how the operations of those companies will be conducted after NAFTA Rail acquires authority to control KCSR, GWER, and Tex Mex.

KCSR/GWER and Tex Mex share only one common connection at Beaumont, Texas. The companies have operated under linked common ownership since 1995 and have coordinated certain aspects of their operations for their mutual benefits. After KCS/NAFTA Rail obtains authority to control GWER, KCSR, and Tex Mex, the three railroads will continue to operate as separate railroads, in much the same way as they presently operate.

With the implementation of the Management Control System ("MCS") on Tex Mex there will be an elimination of a limited number of employee positions. In addition, the other operating economies listed in the Operating Plan – Minor (Exhibit 15) will result in the elimination of a limited number of marketing management positions, a limited number of time-keeping and payroll processing positions, and a limited number of positions involved with car and locomotive pools. It is possible that as Applicant gains experience in the course of implementation of the Transaction that there is a possibility that significant changes may occur. Importantly, the existing collective bargaining agreements for Tex Mex and KCSR will remain in force. Furthermore, KCS recognizes that the applicable level of labor protection for this type of control transaction is that set forth in *New York Dock Ry. – Control – Brooklyn Eastern Term. Dist.*, 360 I.C.C. 60 (1979).

VERIFICATION

I, Emerson M. Bouchard, verify under penalty of perjury that I have read the foregoing statement and that it is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

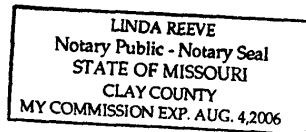

Emerson M. Bouchard

STATE OF MISSOURI)
)
COUNTY OF JACKSON) ss.

Subscribed and sworn to before me
this 12 day of May 2003.


Notary Public of the State of Missouri

My commission expires: Aug 4, 2006



AGREEMENT

EXHIBIT 2

Pages 160-191

REDACTED

**Agreement has been designated as
Highly Confidential**

VOTING TRUST

EXHIBIT 2A

Pages 192-209

REDACTED

**Voting Trust has been designated as
Highly Confidential**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 34342

KANSAS CITY SOUTHERN

— CONTROL —

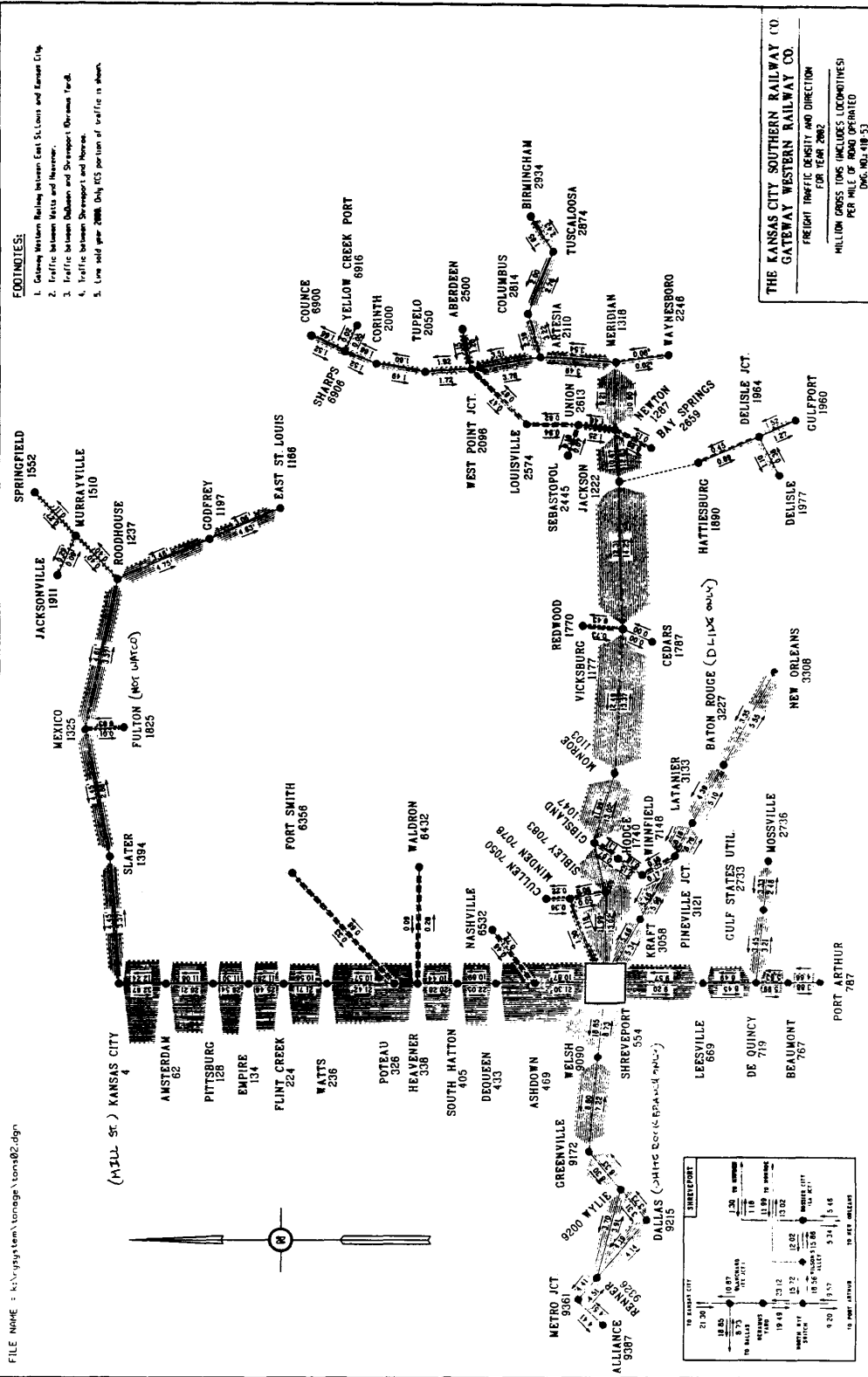
**THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

RAILROAD CONTROL APPLICATION

EXHIBIT 14

DENSITY CHART

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COLOR FIGURE 3

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 34342

KANSAS CITY SOUTHERN

-- CONTROL --

**THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

RAILROAD CONTROL APPLICATION

EXHIBIT 15

OPERATING PLAN/MINOR

(c) For minor transactions: Operating plan-minor (exhibit 15). Discuss any significant changes in patterns or types of service as reflected by the operating plan expected to be used after consummation of the transaction. Where relevant, submit information related to the following: (1) Traffic level density on lines proposed for joint operations. (2) Impacts on commuter or other passenger service operated over a line which is to be downgraded, eliminated, or operated on a consolidated basis. (3) Operating economies, which include, but are not limited to, estimated savings. (4) Any anticipated discontinuances or abandonments.

EXHIBIT 15
OPERATING PLAN – MINOR

Pursuant to 49 C.F.R. Section 1180.8(c),¹ applicants must discuss any significant changes in patterns or types of service expected to result from the proposed transaction. Consistent with the minor nature of this transaction, and as described herein, Applicant anticipates only limited changes in operation once common control of KCSR, GWER, Tex Mex, and Mexrail is consummated. The common control of KCSR and Tex Mex will provide more efficient routing and service options to shippers; will allow better coordination of marketing and operations between KCSR and Tex Mex; will strengthen KCSR/Tex Mex's ability to compete with larger railroads in the increasingly concentrated rail market, and will help in the development of international traffic moving between Mexico and the United States. Finally, bringing Tex Mex under the KCS family secures the financial stability of a rail property which has occasionally found itself hard pressed to keep pace with the increasing traffic volumes available to it.

The current and proposed patterns and types of service on the involved lines are as follows:

¹ Formerly 49 C.F.R. Section 1180.8(b).

A. ANTICIPATED CHANGES IN TRAFFIC

1. Existing Patterns Of Service

i. KCSR

KCSR, a Class I carrier by rail, currently owns or operates approximately 4359 miles, consisting of approximately 3109 miles of main lines, 22 miles of secondary lines, two miles of other main tracks, 313 miles of passing tracks, crossovers and turnouts, 298 miles of way switching tracks, and 612 miles of yard switching tracks. KCSR's principal routes extend from Kansas City, Missouri to East St. Louis and Springfield, Illinois; from Kansas City, Missouri to Port Arthur, Texas, from Alliance and Dallas, Texas to Meridian, Mississippi, from Shreveport to New Orleans, Louisiana; from Shreveport to Minden, Louisiana; from DeQuincy to Mossville, Louisiana; from Counce, Tennessee to Meridian, Mississippi; from Hattiesburg to DeLisle and Gulfport, Louisiana (accessed via trackage rights over CN/IC); from Artesia, Mississippi to Birmingham, Alabama; and from Bay Springs to Aberdeen. See Map Exhibit 1 to this Application. KCSR also serves a number of branch lines that serve much lower tonnages. Portions of KCSR's operations are conducted on trackage rights over other carriers, principally between Lettsworth and Lobdell, Louisiana (over Union Pacific), and between Brookwood and Birmingham, Alabama (over CSXT). KCSR also has haulage rights between Jackson, Mississippi and Mobile, Alabama (via Canadian National/Illinois Central); between Fort Worth and Alliance, Texas (via BNSF); between Kansas City, Missouri and Council Bluffs, Iowa (via BNSF); and restricted haulage rights over UP with which it operates dedicated grain trains between Omaha, Nebraska/Council Bluffs, Iowa, Lincoln, Nebraska, and Atchison and Topeka, Kansas to points on its lines beyond Kansas City. Grain from these trains moves to animal feed processors located on the southern portion

of KCSR's system. KCSR also has limited haulage rights between Springfield and Chicago, Illinois that allow for shipments that originate or terminate on the former Gateway Western's rail lines.

KCSR's principal operating terminal is located at Shreveport, Louisiana; other main terminals are located at Artesia, Mississippi; Baton Rouge, Louisiana; Beaumont, Texas, East St. Louis, Illinois, Jackson, Mississippi; Kansas City, Missouri; and Wylie, Texas. The principal interchange points between KCSR and other railroads are Alliance and Beaumont, Texas; East St. Louis, Illinois; Jackson and Meridian, Mississippi; Kansas City, Missouri; and New Orleans, Louisiana. KCSR and Tex Mex interchange at only one point: Beaumont, Texas, via Tex Mex's trackage rights through Houston. However, this interchange is limited by various restrictions placed on the rights by the Surface Transportation Board when it imposed the overhead rights as a condition of the Union Pacific-Southern Pacific merger.

KCSR operates 45 scheduled through trains on its system, as follows:

Point of Origin and Destination of Scheduled Through Trains					
		KCSR	KCSR	Days	
	<u>Train Symbol</u>	<u>Origin</u>	<u>Destination</u>	<u>Per Wk</u>	<u>Days Worked</u>
1	I-BNCLAT-1	ALLIANCE, TX	MERIDIAN, MS	7	Su Mo Tu We Th Fr Sa
2	I-BNLAAT-1	ALLIANCE, TX	MERIDIAN, MS	7	Su Mo Tu We Th Fr Sa
3	I-BNLBAT-1	ALLIANCE, TX	MERIDIAN, MS	5	Su Mo Tu We Th
4	M-ARLC -1	ARTESIA, MS	LAKE CHARLES, LA	7	Su Mo Tu We Th Fr Sa
5	A-MXJA -1	BEAUMONT, TX	JACKSON, MS	7	Su Mo Tu We Th Fr Sa
6	I-DAAT -1	DALLAS, TX	MERIDIAN, MS	6	Su Tu We Th Fr Sa
7	I-DAMT -1	DALLAS, TX	METRO, TX	5	Tu We Th Fr Sa
8	I-DAMT -2	DALLAS, TX	METRO, TX	1	Mo
9	M-DASH -1	DALLAS, TX	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
10	I-ESKC -1	EAST ST LOUIS, IL	KANSAS CITY, MO	7	Su Mo Tu We Th Fr Sa
11	M-ESKSB-2	EAST ST LOUIS, IL	KANSAS CITY, MO	4	Su Tu Th Sa
12	M-HVKCM-1	HEAVENER, OK	KANSAS CITY, MO	7	Su Mo Tu We Th Fr Sa
13	A-JAMX -1	JACKSON, MS	BEAUMONT, TX	7	Su Mo Tu We Th Fr Sa
14	M-KSESBN-1	KANSAS CITY, KS	EAST ST LOUIS, IL	7	Su Mo Tu We Th Fr Sa
15	I-KCES -1	KANSAS CITY, MO	EAST ST LOUIS, IL	6	Mo Tu We Th Fr Sa
16	M-KCES -1	KANSAS CITY, MO	EAST ST LOUIS, IL	2	Su Mo
17	I-KCES -1	KANSAS CITY, MO	KANSAS CITY, MO	7	Su Mo Tu We Th Fr Sa
18	I-KCSH -1	KANSAS CITY, MO	SHREVEPORT, LA	6	Mo Tu We Th Fr Sa

19	M-IMKCHV-1	KANSAS CITY, MO	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
20	H-KCSH1 -1	KANSAS CITY, MO	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
21	H-KCSH2 -1	KANSAS CITY, MO	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
22	M-LCAR -1	LAKE CHARLES, LA	ARTESIA, MS	7	Su Mo Tu We Th Fr Sa
23	M-LCSH -1	LAKE CHARLES, LA	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
24	M-LTPA -1	LATANIER, LA	PORT ARTHUR, TX	5	Su Mo We Fr Sa
25	I-NSATLA-1	MERIDIAN, MS	ALLIANCE, TX	6	Su Tu We Th Fr Sa
26	I-ATDA -1	MERIDIAN, MS	DALLAS, TX	6	Su Tu We Th Fr Sa
27	M-NSSH -1	MERIDIAN, MS	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
28	I-MTDA -1	METRO, TX	DALLAS, TX	6	Mo Tu We Th Fr Sa
29	I-NOKC -1	NEW ORLEANS, LA	KANSAS CITY, MO	6	Su Tu We Th Fr Sa
30	M-CXSH -1	NEW ORLEANS, LA	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
31	M-PALT -1	PORT ARTHUR, TX	LATANIER, LA	7	Su Mo Tu We Th Fr Sa
32	M-PASH -1	PORT ARTHUR, TX	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
33	M-SHDA -1	SHREVEPORT, LA	DALLAS, TX	7	Su Mo Tu We Th Fr Sa
34	M-SHJACN-1	SHREVEPORT, LA	JACKSON, MS	7	Su Mo Tu We Th Fr Sa
35	M-SHKC1 -1	SHREVEPORT, LA	KANSAS CITY, MO	7	Su Mo Tu We Th Fr Sa
36	M-SHKC2 -1	SHREVEPORT, LA	KANSAS CITY, MO	7	Su Mo Tu We Th Fr Sa
37	M-SHLC -1	SHREVEPORT, LA	LAKE CHARLES, LA	7	Su Mo Tu We Th Fr Sa
38	M-SHNS -1	SHREVEPORT, LA	MERIDIAN, MS	7	Su Mo Tu We Th Fr Sa
39	M-SHCX -1	SHREVEPORT, LA	NEW ORLEANS, LA	7	Su Mo Tu We Th Fr Sa
40	M-SHNO -1	SHREVEPORT, LA	NEW ORLEANS, LA	2	Mo We
41	M-SHPA -1	SHREVEPORT, LA	PORT ARTHUR, TX	7	Su Mo Tu We Th Fr Sa
42	M-SHVX -1	SHREVEPORT, LA	VICKSBURG, MS	7	Su Mo Tu We Th Fr Sa
43	M-SHWY -1	SHREVEPORT, LA	WYLIE, TX	7	Su Mo Tu We Th Fr Sa
44	M-VXSH -1	VICKSBURG, MS	SHREVEPORT, LA	7	Su Mo Tu We Th Fr Sa
45	I-DANO -1	WYLIE, TX	NEW ORLEANS, LA	7	Su Mo Tu We Th Fr Sa

In addition to the scheduled trains set out above, KCSR maintains train symbols for over one hundred unscheduled trains which operate only as required, primarily moving coal, grain, and military lading, and work trains. In addition, KCSR operates an average of about 110 local trains per day, with primary origins for local trains being Artesia (6 trains), Newton, Mississippi (6 trains), Latanier, Louisiana (5 trains), Shreveport (4 trains), and Roodhouse, Illinois (4 trains). While a few local trains operate only one day per week, most are called either six or seven days per week.

KCSR's major switching activities are at Kansas City, Jackson, East St. Louis, Shreveport, Baton Rouge, Lake Charles and Beaumont/Port Arthur, where average daily switching assignments are as follows:

<u>Terminal</u>	<u>Average Daily Switching Assignments</u>
Kansas City	25
Jackson	7
East St. Louis	8
Shreveport	16
Baton Rouge	11
Lake Charles	7
Beaumont/Port Arthur	14

The approximate volumes of freight transported by KCSR in major commodity groups during 2001 were chemical and petroleum products - 147,800 carloads; paper and forest products - 182,200 carloads; agricultural and mineral products - 126,500 carloads; intermodal and automotive shipments - 299,800 carloads; and coal - 202,300 carloads. As of the end of 2002, KCSR operated 488 locomotives (134 of which were owned with the rest being leased), and 13,561 rail cars, of which 2,987 were KCSR-owned.²

ii. GWER

GWER, a Class III carrier by rail, operates approximately 17 miles of track between East St. Louis, Illinois and East Alton, Illinois. In addition, GWER operates via trackage rights over 5 miles of TRRA track between WR Tower and Willows Tower, Illinois, and 11.07 miles of The Alton and Southern Railway Company's track between Lenox Tower and Rose Lake, Illinois. GWER also has operating rights over portions of the former Gateway Western (merged into KCSR in 2001) between East St. Louis and Wann, Illinois.

GWER operates one round trip train five days per week between East Alton and East St. Louis, Illinois (CSX's Rose Lake Yard). Extra trains are operated on an "as needed" basis.

² Source: KCS 2002 Annual Report Form 10K, page 31.

GWER's primary business is handling switch traffic to and from CSX customers in the Alton area.

As described above, between Wann and WR Towers, GWER's line is operated as a paired track with a line jointly owned and operated by UP and KCSR.³

iii. Tex Mex

Tex Mex, a Class II carrier by rail, owns and operates 157 miles of railroad extending from the International Bridge at Laredo, Texas, through Robstown, to Corpus Christi, Texas. Tex Mex has interchanges with UP at Corpus Christi, Houston, Laredo, Robstown, and Victoria, Texas; with BNSF at Corpus Christi, Houston and Robstown; with PTRR at Houston; with TFM at Laredo on the International Bridge, and (as discussed below) with KCSR at Beaumont. Tex Mex employs approximately 200 persons. It operates 39 locomotives (all leased) and approximately 950 freight cars (a bit more than half of which are leased).

Tex Mex also operates on approximately 379 miles of trackage rights over UP between Robstown and Beaumont, via Placedo, Victoria, Flatonia, Rosenberg, and Houston, Texas. These trackage rights were granted by the STB as a condition to approval of the UP/SP merger, to replace competition lost by the assimilation of SP into the UP system. Tex Mex normally operates 2 trains per day over the trackage rights lines, with occasional added manifest or grain trains if needed.

³ KCSR and GWER are presently seeking to reach an accommodation with the Illinois Department of Transportation ("ILDOT") on the relocation of certain tracks operated by GWER and KCSR in the East St. Louis area. The relocation would facilitate a portion of a highway project. KCSR and GWER hope to reach an arrangement with ILDOT which will preserve existing service options for shippers and receivers in the East St. Louis area.

In 2000, Tex Mex purchased from UP the Rosenberg Line. The Rosenberg Line extends 84.5 miles from Victoria to Rosenberg, Texas. Tex Mex purchased this out-of-service line from UP for the purpose of reducing Tex Mex's mileage on UP track, reducing trackage rights fees, and freeing capacity on portions of UP's Glidden Subdivision and Port LaVaca Branch, while reducing the overall rail mileage between Robstown and Beaumont by 67 miles. The Rosenberg Line is not currently operated, and significant rehabilitation will be needed before operations can be conducted over that line safely. At present, Tex Mex is defending challenges to its title to the Rosenberg Line brought by local landowners who claim that the line was abandoned and reverted to their ownership years ago. Until these claims are resolved in Tex Mex's favor, it would be imprudent to move forward with rehabilitation of the Rosenberg Line. Assuming a favorable outcome of the challenges to Tex Mex's title to the Rosenberg Line, it is anticipated that approval of this transaction will make funding rehabilitation of that line more feasible.

Tex Mex is predominantly a carrier of bridge traffic. Over eighty percent (80%) of Tex Mex's traffic neither originates nor terminates on Tex Mex's line, but rather is carried between the International Bridge and interchange with BNSF at Robstown or with KCSR at Beaumont. In 2001, just under one-half of the carloads moved by Tex Mex moved either via interchange with, or under haulage rights granted to, BNSF.

Tex Mex normally operates 2 trains per day across its trackage rights over UP between Beaumont and Robstown. Tex Mex trains moving between Beaumont and Robstown average about 6,000 to 6,200 feet in length, well within the 7,200-foot length limit imposed on Tex Mex by UP dispatchers. Accordingly, Tex Mex has the ability to add a number of cars to each train without having to add new trains moving over the trackage rights.

iv. Current coordination between KCSR and Tex Mex

KCSR last year began providing a number of operational services to Tex Mex. In June 2002, operations control for Tex Mex was moved from Laredo to the KCSR System Transportation Center ("STC"). There, KCSR provides Tex Mex with dispatching, crew management, and locomotive management services. KCSR's Management Control System, MCS, is scheduled for implementation on Tex Mex in September 2003. MCS is a state of the art system that will provide Tex Mex with better shipment management capabilities, and will provide more timely and accurate information on shipment status for Tex Mex shippers.

KCSR assists Tex Mex operations in other ways as well. Beginning July 1, 2002, KCSR began helping Tex Mex and TFM in railcar fleet management and supply. This provides Tex Mex better assurance of equipment availability while saving Tex Mex on car costs. KCSR also blocks cars in Shreveport, LA for movement across Tex Mex into Mexico, to speed movement of freight and reduce Tex Mex expenses connected with switching and blocking southbound cars. These recent changes have already led to a number of efficiency improvements. Coupled with the crucial initial repairs already made to Tex Mex's main line track in accord with Tex Mex's initial application for Railroad Rehabilitation and Improvement Financing ("RRIF") funding, these changes are beginning to allow Tex Mex to show some of the promise it holds as a key link in the NAFTA railroad.

v. Mexrail

Mexrail, a Delaware corporation, owns the northern portion of the bridge structure (but not the track, which is owned by Tex Mex) of the International Bridge spanning the Rio Grande River between Laredo, Texas and Nuevo Laredo, Tamaulipas, Mexico. The bridge is 1,072 feet in total length and was built in 1910. The Bridge, which is the only rail connection

between the United States and Mexico at Laredo, is used by Tex Mex and UP as their principal gateway for moving traffic between the U.S. and Mexico. Over one-half of all rail freight interchanged between the U.S. and Mexico passes over the International Bridge. Traffic is interchanged between Tex Mex and UP, on the U.S. side, and TFM, on the Mexico side, at the middle of the Bridge.⁴

Mexrail is not a railroad. It conducts no rail operations of its own. It owns neither locomotives nor track, nor does it have any employees. It is not a covered employer under the Railroad Retirement Act (45 U.S.C. § 231 et seq.) or the Railroad Unemployment Insurance Act (45 U.S.C. § 351 et seq.).⁵

B. Post-Transaction Operations - Traffic Density

This transaction will have no discernable impact on traffic density on lines utilized by KCSR, GWER or Tex Mex. Accordingly, no line density study is included herewith as it would not be relevant to the Board's decision on this transaction.

A traffic diversion analysis of this transaction was conducted by Reebie Associates ("Reebie"). A discussion of that analysis is contained in the Verified Statement of Bengt Mutén, contained in this Application.

Reebie's study showed only a potential net diversion of 6,313 carloads of freight per year by the end of the third year following consummation of KCS's common control of KCSR, GWER, and Tex Mex. Much of this traffic would be interchanged with eastern carriers CSX Transportation and Norfolk Southern Railway. This would be traffic destined to and from Mexico. The principal interchange points would be Meridian, MS and New

⁴ This method of interchange has heretofore been forced upon the carriers by, among other things, Federal Railroad Administration rules which prohibit interchange in nearby rail yards on either side of the border.

Orleans, LA. Southbound traffic would move from those points via KCSR to Beaumont, there to be interchanged with Tex Mex for movement to Mexico via Laredo. This KCSR-Tex Mex routing is projected by Reebie as being competitive with UP routings to Mexico via Laredo under the conditions stated in Reebie's diversion analysis.

This volume of traffic would not appreciably affect traffic densities on KCSR or Tex Mex lines. KCSR handled over 930,000 carloads of freight in 2001, and normally has on its system at any one time approximately 25,000 railcars. An increase of only 17 or 18 carloads per day across the entire KCSR-Tex Mex system would be unnoticeable in this volume.

The addition of 6,313 carloads per year would be more noticeable on Tex Mex, which annually handles over 91,000 carloads. Nevertheless, Tex Mex trains now typically operate at an average length of 6,000 to 6,200 feet. UP limits trains on the trackage rights lines to 7,200 feet, so there would be adequate room to handle additional cars on each train that Tex Mex moves between Robstown and Beaumont.⁶ Since most of the traffic projected to be diverted to KCSR-Tex Mex is projected to move to or from Mexico, and since KCSR pre-blocks Mexico-bound trains for Tex Mex and TFM blocks northbound trains, the additional carloads should not significantly impact Tex Mex's switching responsibilities. Accordingly, a 'before-and-after' traffic density comparison is deemed irrelevant and is not included in this application.⁷

Handling of Diverted Traffic. The Reebie diversion study projects a net diversion to KCSR-Tex Mex routings of approximately 6,313 new carloads per year by the end of the third

⁵ "Employer Status Determination - Mexrail, Inc." Railroad Retirement Board, 1996 (#67).

⁶ Tex Mex could add over 7,000 cars per year to its operations over trackage rights on UP without exceeding UP's train length limits or having to add another train.

⁷ A 2002 traffic density chart for KCSR is included in the Application for the Board's information. See Color Figure No. 3.

year following approval of this application.⁸ These diversions are not operationally significant. The figures shown in Appendix 1 are in carloads per year. For almost all of the origin-destination pairs, the projected diversions would average less than four carloads per week. In terms of Tex Mex and KCSR operations, which handle hundreds or thousands of cars per day, an extra car or two per day at any one origin or destination will not cause any noticeable operational change; that is, these small numbers are within normal variations in daily business activity levels on KCSR and Tex Mex lines and yards. Therefore, the remainder of this section focuses on the principal projected changes in traffic flows.

As identified on Appendix 1, the principal changes in traffic flows projected to result from common control of KCSR and Tex Mex are the following:

Origin or On Junction	From Road	Destination or Off Junction	To Road	Net Cars Gained (Or Lost)
Corpus Christi, TX	BNSF	Laredo, TX	-	(1,950)
Kansas City, MO	BNSF	Corpus Christi, TX	-	436
Kansas City, MO	BNSF	Laredo, TX	-	2,608
Laredo, TX	-	Meridian, MS	NS	1,167
Laredo, TX	-	New Orleans, LA	CSXT	1,720
Meridian, MS	NS	Laredo, TX	-	1,326

These break down as (1) a loss of traffic interchanged by BNSF to Tex Mex at Corpus Christi, with a corresponding gain in traffic destined to Corpus Christi and Laredo being interchanged by BNSF to KCSR at Kansas City;⁹ (2) movements between Meridian, MS and Laredo, TX,

⁸ This table, Appendix 1 to the Verified Statement of Steven L. Hefley ("Appendix 1") was prepared by Mr. Bengt Mutén as part of his traffic diversion analysis. While it shows diversions of fractions of carloads in some instances, for purposes of this Operating Plan, the numbers have been rounded to whole numbers.

⁹ Traffic indicated as originating at or destined to Laredo is, in all likelihood, cross-border traffic. However, much of the cross-border traffic is re-billed at the border, so movements on either side of the border would show Laredo, TX or Nuevo Laredo, Tamaulipas, Mexico as either the origin or the destination of the movement.

that interchange with NS at Meridian; and (3) movements from Laredo, TX destined for interchange with CSXT at New Orleans, LA. The following information describes how these traffic flows would fit into KCSR-Tex Mex's current operations, without causing any significant changes or operational disruptions.

Reduction in BNSF Interchange at Corpus Christi; Increase in BNSF Interchange at Kansas City. Shipments interchanged to KCSR at Kansas City for movement to Mexico would be blocked in Kansas City for Mexico and placed in a Kansas City to Shreveport train (initials "KCSH"). KCSR operates two of these trains each day, seven days per week. Both the Kansas City yard, which handles over 1000 inbound or outbound car movements per day, and the Kansas City-Shreveport trains have the capacity to handle these cars without adding more yard workers or shifts or more trains.

The Mexico-bound block would be removed from the train in Shreveport, and added to the daily train originating in Jackson, MS which is designed to run across Tex Mex and to the border at Laredo without switching by Tex Mex (initials "JAMX"). Any Mexico-bound traffic from Louisiana origins would be added to the train at Beaumont. The KCSR crew steps off the train at Beaumont and a Tex Mex crew boards. Tex Mex crews move the train south over the trackage rights and straight through to the border, usually without even stopping in Tex Mex's Serrano Yard outside Laredo. Both the Bossier City (Shreveport) Yard, which handles on average around 1,600 cars per day in and out of the yard and the JAMX trains have the capacity to handle the projected diversion of 7 or 8 cars per day (*i.e.*,

2,608 Kansas City-Laredo cars diverted, divided by an estimated 359 railroad operating days per year).¹⁰

Traffic interchanged to KCSR at Kansas City destined for Corpus Christi would also be placed in a KCSH train and be switched at Shreveport to a train bound for Tex Mex but not as a run-through train to the border, and would be moved similarly to the JAMX train from Beaumont across the trackage rights, albeit delivered into Corpus Christi yard rather than moving across Tex Mex's line. These changes would improve the flow of these cars by getting them blocked early to avoid unnecessary switching, and by allowing any cars which are destined to Mexico to be kept out of the Corpus Christi yard.

Laredo-Meridian and Meridian-Laredo Traffic Interchanged With NS at Meridian.

The data in Appendix 1 shows an anticipated net diversion to the KCSR-Tex Mex system of 1,167 northbound cars and 1,326 southbound cars moving between Meridian and the Mexican border at Laredo. This equates to an average of 3 to 4 cars per day moving each direction. That number of carloads can be easily accommodated, along with the traffic from the other major flows discussed here, in existing KCSR and Tex Mex trains and yard operations.

Traffic received from NS at Meridian Yard¹¹ and destined to Mexico would move west along the Meridian Speedway to Jackson, where it would be combined with traffic received from CN/IC and used to make up the JAMX trains mentioned earlier. A JAMX train moves each day from Jackson to Shreveport where Mexico-bound blocks such as those made in Kansas City would be added. The train moves from there to Beaumont where generally there

¹⁰ At least as to the 1,950 carloads that would be interchanged to the KCSR-Tex Mex routing at Kansas City rather than at Corpus Christi, this is not new traffic as to Tex Mex's own line, and would not result in a change in traffic levels on that line.

¹¹ The yard utilized to handle KCSR traffic at Meridian processes approximately 300 cars per day, on average, in or out of the yard.

is merely a step-on/step-off change from KCSR to Tex Mex crews, without the train even entering the yard. The train then moves directly to the border without needing to stop in Serrano Yard outside Laredo.

Northbound traffic from Laredo for interchange with NS at Meridian would come across the border from TFM pre-blocked, and would move to Tex Mex's Serrano Yard.¹² Any traffic originating on Tex Mex would be added at Serrano Yard, and then the train would be operated directly across Tex Mex to Robstown and across the trackage rights to Beaumont. At Beaumont, the Tex Mex crew would step off and the KCSR crew would step on - again, usually as a main line interchange which avoids the yard altogether - and the train would run through to Shreveport. At Shreveport (Bossier City Yard), cars destined for NS would be switched to a train designed to operate east across the Meridian Speedway to interchange with NS (initials "SHNS"). KCSR operates one SHNS train daily, seven days per week. It could easily accommodate an additional 3 to 4 cars per day.

Northbound Laredo-New Orleans Movements Destined to CSXT. The final major change in traffic flows projected is the diversion of 1,720 carloads annually to the Tex Mex-KCSR routing from Laredo to New Orleans for interchange to CSXT. This equals about 5 cars per day on average.

These shipments would move similarly to the Laredo-Meridian shipments described above until reaching Shreveport. At Shreveport, the cars would be switched into a train originating in Dallas that is destined to New Orleans. In New Orleans, KCSR would interchange the cars to CSXT in a main line interchange which involves no yard switching.

¹² Serrano Yard processes an average of approximately 430 cars in or out per day.

Summary of Handling Diverted Traffic. The principal changes in traffic flows projected by Reebie are very limited in comparison to the overall scope of operations of KCSR and Tex Mex, and could be absorbed into those operations without addition of trains, addition of yard switching assignments or yard crews, or even a perceptible level of increase in yard or rail line activity. These shipments would be handled in existing trains, almost all of which operate daily, and would, because of the pre-blocking of cars by KCSR and TFM, result in only minor increases in activity in major KCSR yards, while having almost no impact on Tex Mex rail yard activity.

2. IMPACT ON COMMUTER AND PASSENGER OPERATIONS

There will be no impacts on commuter or passenger operations. Of the lines operated by KCSR and Tex Mex, none are used by commuter rail systems. The only line on which KCSR or Tex Mex operate over which Amtrak also operates is UP's Glidden Subdivision, from Houston to Flatonia. Amtrak has six scheduled trains on this route each week.

The volume of traffic handled by KCSR and Tex Mex over this portion of the Glidden Subdivision will not increase to an extent that would affect Amtrak's operations. Tex Mex can handle the increased number of carloads projected by Reebie's diversion analysis without adding trains or exceeding train length limits set by UP for Tex Mex's trackage rights operations. Accordingly, the expected increase will not affect Amtrak's operations on the Glidden Subdivision.

3. OPERATING ECONOMIES

The proposed control transaction is expected to generate modest annual operating savings of \$3.3 million. Anticipated operating savings related directly to the control transaction will be as follows:

1. Installation of a Common, State-of-the-Art, Operating Platform. KCSR has agreed to license its computerized Management Control System ("MCS") for installation and operation on Tex Mex. MCS is designed to improve customer interface with the railroad and to allow trip planning of each shipment. It also functions as a cost tracking and cost control tool.

KCSR has been using the MCS system for about 10 months now. Despite some initial difficulties in deployment of the new system, the system is currently operating effectively and allowing more efficient management of the railroad. Having now deployed MCS on two railroads - initially on the former Gateway Western property and now on KCSR as a whole - KCSR has the knowledge to assist Tex Mex to implement this system with minimal difficulties.

While Tex Mex will utilize the same MCS software as KCSR, Tex Mex and KCSR will not combine their traffic data prior to approval of this application. Following the approval of this application, MCS will provide a common operating platform for KCSR and Tex Mex to integrate their MCS operations in the future.

Some labor costs will be eliminated as a result of the additional automation, as the railroads that make up the new system exchange more information with their customers electronically. More importantly, MCS will give the Tex Mex management team new tools to use in planning and operating the railroad. These tools will reduce transit time on shipments and optimize use of the combined KCSR-Tex Mex car fleet, leading to reduced car hire costs, improved service, and a greater ability to meet customer requirements. In addition, MCS will improve tracking of freight and equipment, as well as improving billing and collecting for demurrage and switching.

2. Improved Freight Car Utilization. Access to the railcar fleets of the affiliated railroads will provide shippers a broader availability of car types, and allow a reduction in overall car hire costs. One of the functions of the holding company will be to provide oversight, coordination and management of the overall railcar fleet. The combined purchasing power of the affiliated railroads will make leasing cars more cost-effective because of the leverage available to a larger fleet. There will also be opportunities to optimize the fleet by eliminating redundant or otherwise unneeded equipment.
3. Improved Performance of the Locomotive Fleet. Synergies available for the consolidated locomotive fleet are expected to allow for improved locomotive utilization and reduction in the total fleet size through elimination of older or inefficient units. Fuel costs, which represent a large expense for railroads, will be reduced as KCS exercises the purchasing power of the larger coordinated fleet of locomotives and improves locomotive utilization.
4. Improved Coordination of Marketing. Tex Mex currently has a marketing staff of three people. By consolidating marketing functions in Kansas City, Tex Mex will have a much larger marketing staff on which it can call. There are substantial marketing opportunities available in Houston and Corpus Christi, but Tex Mex's current marketing is dwarfed by the marketing departments of BNSF and UP in competing for this business. This transaction will give Tex Mex a deeper sales force on which to call to win traffic from its Class I competitors.
5. Reduced Time-Keeping and Payroll Processing Costs. Bringing KCSR and Tex Mex under common control will allow time-keeping and payroll processing services to be

consolidated under single management, which should result in improved processing and cost savings.

6. Combined Financial Strength Will Facilitate Track Upgrades. Combining the financial strength of KCSR and Tex Mex is expected to allow easier access to capital for Tex Mex in particular. This will allow for financing on more favorable terms than could be achieved if each railroad were to pursue financing options on its own.
7. Consolidation of General and Administrative Functions. This transaction will allow elimination of some duplicative facilities and some duplicative management functions, primarily by elimination of management personnel involved with the car and locomotive pools. There are no plans to eliminate any railroad operating personnel.

4. ANTICIPATED DISCONTINUANCES OR ABANDONMENTS

No discontinuances or abandonments are anticipated in connection with this application. In fact, quite the opposite is expected, as it is intended that this application will facilitate putting the inactive Rosenberg Line back into operation.

SUMMARY

KCSR and Tex Mex expect to gain an additional 6,313 carloads of freight annually by the end of the third year following the consummation of the transaction presented to the Board in this application. That freight is expected to earn KCSR and Tex Mex, together, an additional \$14.3 million in revenues. This volume of traffic fits within existing KCSR and Tex Mex routes in which KCSR and Tex Mex presently have additional freight-handling capacity without adding trains. Furthermore, Applicant anticipates approximately \$3.3 million in additional managerial and administrative savings to result from the grant of this application and consummation of the transaction.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 34342

KANSAS CITY SOUTHERN

-- CONTROL --

**THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

RAILROAD CONTROL APPLICATION

APPENDIX A

**LETTERS SUPPORTING THE
RAILROAD CONTROL APPLICATION
OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34342

Ameripol Synpol Corporation, Odessa, TX
AN Railway, L.L.C., Port St. Joe, FL
Arkansas Louisiana & Mississippi Railroad, Crossett, AR
Atlantic & Western Railway, L.P., Sanford, NC
Atofina Chemicals, Inc., Philadelphia, PA
Atofina Petrochemicals, Inc., Houston, TX
Bartlett and Company, Kansas City, MO
Bay Line Railroad, L.L.C., Panama City, FL
Buffalo Marine Service, Inc., Houston, TX
Calabrian Corporation, Kingwood, TX
CMA-CGM (America) Inc., Secaucus, NJ
Commercial Metals Company, CMC Secondary Metals Processing Division (SMPD), Dallas, TX
Commercial Metals Company, CMC Steel Group/Structural Metals, Inc. (SMI), Dallas, TX
Commercial Metals Company, Dallas Trading Division (DTD), Dallas, TX
Copper Basin Railway, Inc., Hayden Junction, AZ
Delta Southern Railroad, Inc., Tallulah, LA
Dow Chemical Company, Midland, MI
Dunham-Price, Inc., Westlake, LA
East Tennessee Railway, L.P., Johnson City, TN
Farmers Grain Terminal, L.L.C., Richmond, MO
Forth Worth & Western Railroad, Fort Worth, TX
Galveston Railroad, L.P., Galveston, TX
Georgia Central Railway, L.P., Vidalia, GA
Great Lakes Carbon Corporation, Houston, TX
Greenwood Products, Inc., Portland, OR
Hood Industries, Inc., Hattiesburg, MS
Hub Group, Inc., Downers Grove, IL
Huntsman Corporation, Houston, TX
Inland Paperboard and Packing, Inc., Indianapolis, IN
Jefferson Triangle Marine, L.P., Houston, TX
Jefferson Triangle Properties, L.P., Houston, TX
Kansas & Oklahoma Railroad, The, Pittsburg, KS
KWT Railway, Inc., Garden City, GA

Laser Networking, Inc., Taylor, MI
Little Rock & Western Railway, L.P., Perry, AR
Longview Fibre Company, Longview, WA
M&B Railroad, L.L.C., Meridian, MS
Martin Resource Management, Kilgore, TX
MeadWestvaco Corporation, Richmond, VA
Mid-Continent Transload Facility, Cheyenne, WY
Miller and Company LLC, Rosemont, IL
O.K. Transportation, Inc., Muldrow, OK
Paper Tigers, Bannockburn, IL
Port Arthur International Public Port, Port Arthur, TX
Port of Corpus Christi, Corpus Christi, TX
Potash Corp., Northbrook, IL
Raven Logistics, Inc., Keego Harbor, MI
Reagent Chemical & Research, Inc., Houston, TX
Rhodia Eco Services, Trumbull, CT
Sabine River & Northern, Orange, TX
South Kansas & Oklahoma Railroad, The, Pittsburg, KS
Stillwater Central Railroad, The, Pittsburg, KS
Stupp Corporation, Baton Rouge, LA
Timber Rock Railroad, The, Pittsburg, KS
Tomahawk Railway, Limited Partnership, Lake Park, GA
Valdosta Railway, L.P., Lake Park, GA
Western Kentucky Railway, L.L.C., Clay, KY
Wilmington Terminal Railroad, L.P., Wilmington, NC



May 8, 2003

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

RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)*

Dear Honorable Williams:

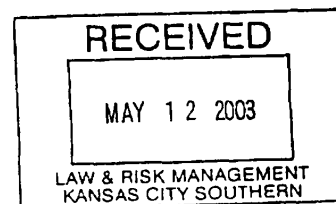
This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships crude synthetic rubber from southeast Texas to the eastern and southern states of the United States via KCS, Norfolk Southern, Burlington Northern Santa Fe, and Union Pacific Railroad.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Ameripol Synpol Corporation by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.


John Clark
Material Flow Manager

cc: Mr. Thomas J. Healey
Mr. William A. Mullins

I:\Mat_flow\Correspondence\John Clark\050803



AN RAILWAY, L.L.C.

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of AN Railway, L.L.C. located at PO Box 250, Port St. Joe, Florida 32457. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The AN Railway, L.L.C. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with AN Railway.

AN Railway, L.L.C. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of AN Railway, L.L.C.
2605 Thomas Drive
Panama City Beach, FL 32408

ATLANTIC & WESTERN RAILWAY, LIMITED PARTNERSHIP

STB



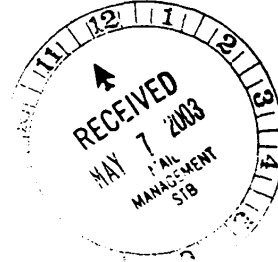
Arkansas Louisiana & Mississippi Railroad

136 Plywood Road - P O Box 757 - Crossett, Arkansas 71635

Tele: 870-364-9000 / Fax: 870-364-4521

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001



RE: Kansas City Southern - Control - The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is L. Bruce Coffey. I am the General Manager of the Arkansas Louisiana & Mississippi Railroad, located at 105 W. 2nd Street, Crossett, AR. I have held this position for 6 years. The ALM serves the Georgia-Pacific Corporation along with other paper companies located in South Arkansas and North Louisiana. For these reasons, the ALM takes a serious and active interest in transportation matters that affect the region as we connect with the KCS and work actively with them to market to customers.

The ALM Railroad supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of the Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas Based Shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers located on our Shortline. The transaction will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic and the Customers located on our Shortline.

The ALM Railroad urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, L. Bruce Coffey, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.


L. Bruce Coffey
General Manager

Correspondence

ATLANTIC & WESTERN RAILWAY, LIMITED PARTNERSHIP

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001



Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

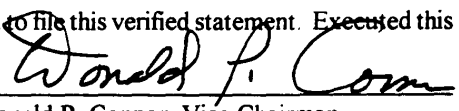
Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Atlantic & Western Railway, Limited Partnership located at PO Box 1208, 317 Chatham Street, Sanford, NC 27330. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Atlantic & Western Railway, Limited Partnership supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Atlantic & Western Railway.

Atlantic & Western Railway, Limited Partnership urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.


Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Atlantic & Western Railway,
Limited Partnership
2605 Thomas Drive
Panama City Beach, FL 32408

STB



ATOFINA Chemicals, Inc.

May 8, 2003

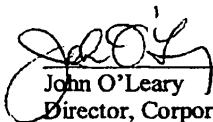
Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Kansas City Southern – Control- The Kansas City Southern Railway Company
Gateway Eastern Railway Company, And the Texas Mexican Railway Company
(STB Finance Docket No. 34342)

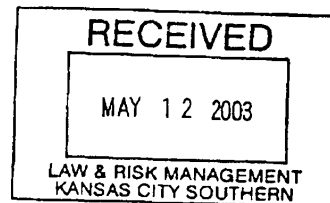
Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control the Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of the Texas Mexican Railway Company ("Tex Mex"). Our company ships industrial and fine chemical products from three manufacturing sites in Texas; Bayport, Houston and Beaumont. The facilities ship to many points in the United States and Mexico via the KCS Railroad, Union Pacific Railroad and the BNSF.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit ATOFINA Chemicals, Inc. by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.


John O'Leary
Director, Corporate Logistics

lcs



ATOFINA Chemicals, Inc.
2000 Market Street
Philadelphia, PA 19103-3222
215-419-7000
www.AtofinaChemicals.com



ATOFINA Petrochemicals, Inc.

VERIFIED STATEMENT
OF

Charles R. Carr
on behalf of

ATOFINA Petrochemicals, Inc.



My name is Charles R. Carr. I am the Manager Logistics and Distribution of ATOFINA Petrochemicals, located at 15710 JFK Blvd, Houston, TX 77044. I have been employed in my present capacity for the past three (3) years and I am directly responsible for the procurement and maintenance of efficient and reliable transportation service for ATOFINA Petrochemicals. This verified statement is written in support of the Kansas City Southern's ("KCS") application to control The Kansas City Southern Railway Company ("KCSR"), Gateway Eastern Railway Company ("Gateway Eastern") and The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board").

ATOFINA Petrochemicals is part of ATOFINA, the chemicals branch of TOTAL, the fourth largest oil company in the world. ATOFINA on it's own is the fifth largest chemical company in the world. ATOFINA Petrochemicals in the US has four world scale production facilities that spend in excess of \$100 MM on rail and rail related services and assets.

We understand that KCS is seeking authority to continue to control KCS's two railroads, KCSR and Gateway Eastern and gain control of Tex Mex. KCS and Tex Mex already operate as joint venture partners and we believe this step will strengthen rail competition and provide improve service and routing for shippers on KCSR and Tex Mex. The common control of KCSR and Tex Mex is an end-to-end combination that will have no adverse impacts. We believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, Charles R. Carr, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 8th day of May, 2003.

ATOFINA Petrochemicals, Inc.

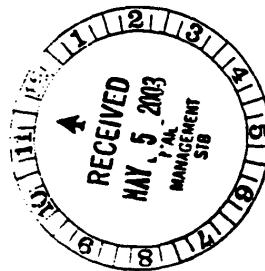
Charles R. Carr
Manager Logistics and Distribution

ATOFINA Petrochemicals, Inc.
Corporate Office USA
KCS 15710 JFK Blvd, Houston, TX 77044
PO Box 674411, Houston, TX 77267-4411
Phone: 281.227.5000 • Fax: 281.227.5466

BARTLETT AND COMPANY



4800 Main Street, Suite 600
Kansas City, MO 64112
816-753-6300



April 28, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of The Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships bulk wheat, corn, milo, soybeans and wheat flour from the Midwest to many destinations, domestic and export. Our primary carriers of the Class 1 railroads are the UP, BN and KCS.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Bartlett and Company by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Sincerely,

James B. Hebenstreit
President

JBH:sem

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)*

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Bay Line Railroad, L.L.C. located at PO Box 35098, Panama City, FL 32412. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Bay Line Railroad, L.L.C. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Bay Line Railroad.

Bay Line Railroad, L.L.C. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Bay Line Railroad, L.L.C.
2605 Thomas Drive
Panama City Beach, FL 32408

COPPER BASIN RAILWAY, INC.

STB

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5 - 8-03 : 4:50PM:



BUFFALO MARINE SERVICE, INC.

May 1, 2003

RECEIVED
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MAIL
ROOM
STB

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, and The Texas Mexican Railway Company*
(STB Finance Docket Do. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company is a fuel bunkering supply business using Louisiana and Texas waterways. We rely on many products shipped to our suppliers by rail through KCS.

We support the transaction for KCS to control KCSR, Gateway Eastern and Tex Mex. We believe this transaction will benefit Buffalo Marine by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service throughout Texas and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Yours very sincerely,

BUFFALO MARINE SERVICE, INC.

Patrick J. Studdert
President



CALABRIAN CORPORATION

May 5, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company*
(STB Finance Docket No. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex").

Our company ships various water treatment chemicals from Port Neches/Beaumont, Texas to various locations throughout the continental United States and as well as Canada. We use all of the major railroads including but not limited to the Union Pacific, Burlington Northern, CSX and Norfolk Southern, as well as some shorter line railroads.

We support the transactions for KCS to control KCSR, Gateway Eastern, and the Tex Mex. This end-to-end transaction should have no competitive harm. Furthermore, we believe this transaction will benefit Calabrian by facilitating improved transit times for shipments and increasing our ability to expand further our markets. Additionally, this transaction should improve service through Houston and provide more consistent and reliable service between the mid-western United States and the Mexican border.

Hopefully this transaction will proceed and concluded as soon as possible. Thank you for your attention.

Sincerely,

CALABRIAN CORPORATION

Helene Oppermann
Vice President

HCO/cd



The French Line

May 9, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

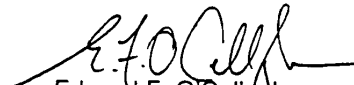
RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company is the sixth largest international ocean container carrier. In this region our vessels call on the coasts of Panama, Mexico, the United States and Canada.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit CMA-CGM (America), Inc. facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Sincerely,


Edward F. O'Callaghan
Vice President, Logistics

EOC/pd

Attachment

cc: Mr. Thomas Healey, The Kansas City Southern
Mr. William A. Mullins, Troutman Sanders LLP ✓

CMA-CGM (America) Inc.

300 Lighting Way • 2nd Floor • Secaucus, NJ 07094-3688 • Tel: (201) 770-5200 • Fax: (201) 770-5204



The French Line

VERIFIED STATEMENT
OF

Edward F. O'Callaghan
on behalf of
CMA-CGM (America) Inc.

My name is Edward F. O'Callaghan I am the Vice President, Logistics of CMA-CGM (America), Inc., located at 300 Lighting Way, Secaucus, NJ 07094. I have been employed in my present capacity for the past nine years and I am directly responsible for the procurement and maintenance of efficient and reliable transportation service for CMA-CGM (America), Inc. This verified statement is written in support of the Kansas City Southern's ("KCS") application to control The Kansas City Southern Railway Company ("KCSR"), Gateway Eastern Railway Company ("Gateway Eastern") and The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board").

CMA-CGM (America), Inc. is the sixth largest international ocean container carrier. In this region our vessels call on the coasts of Panama, Mexico, the United States and Canada. CMA-CGM's fiscal year 2003 railroad expenditures are projected to total sixty million US dollars (US \$60M). CMA-CGM has focused expansion within the US Gulf and the east and west coasts of Mexico this year.

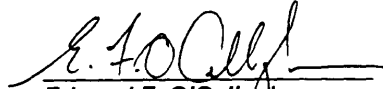
We support the acquisition of the "TEX MEX Railroad" by the KCS Companies. This acquisition will allow the expansion of CMA-CGM in this area to proceed more efficiently.

We understand that KCS is seeking authority to continue to control KCS's two railroads, KCSR and Gateway Eastern and gain control of Tex Mex. KCS and Tex Mex already operate as joint venture partners and we believe this step will strengthen rail competition and provide improve service and routing for shippers on KCSR and Tex Mex. The common control of KCSR and Tex Mex is an end-to-end combination that will have no adverse impacts. We believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, Edward F. O'Callaghan, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 9th day of May, 2003.

CMA-CGM (America), Inc.


Edward F. O'Callaghan
Vice President, Logistics

CMA-CGM (America) Inc.

300 Lighting Way • 2nd Floor • Secaucus, NJ 07094-3688 • Tel: (201) 770-5200 • Fax: (201) 770-5201



May 7, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K. Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern—Control—The Kansas City Southern Gateway Eastern
Railway Company, And The Texas Mexican Railway Company*
(STB Finance Docket No. 34342)

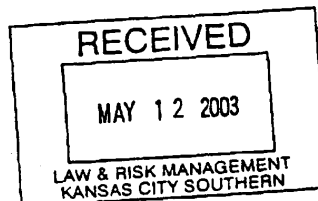
Dear Mr. Williams,

My name is Thomas Bigby. I am Ferrous Traffic Manager of the CMC Secondary Metals Processing Division, A division of Commercial Metals Company based in Dallas, Texas. I have held this position for 2 years. Our company is primarily manufacturing based with the bulk of our business being in scrap processing, steel production and steel fabrication related. For these reasons, SMPD takes a serious and active interest in transportation matters that affect the region.

SMPD supports the control and application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex-Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex-Mex are a vital link for Texas based shippers and receivers. KCS and Tex-Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufactures. The transaction will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic.

SMPD urges the Board to consider this transaction and approve the transaction at the earliest possible time.

I, Thomas Bigby, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 7th day of May, 2003.




Thomas Bigby
Ferrous Traffic Manager, SMPD

Post Office Box 1046 Dallas, Texas 75221-1046
6565 N. MacArthur Blvd., Suite 800 Irving, Texas 75039
Phone 214.689.4300 Fax 214.689.5886
www.commercialmetals.com



From the Desk of: Monty L. Parker, Sr.

Vice President, Rail Transportation

May 1, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

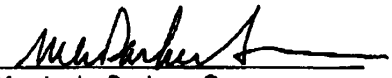
Dear Mr. Williams:

My name is Monty L. Parker, Sr. I am Vice President of Rail Transportation of the CMC Steel Group (also known as "SMI" which stands for Structural Metals, Inc.), a division of Commercial Metals Company based in Dallas, Texas I have held this position for 15 years. Our company is primarily manufacturing based, with the bulk of our business being steel production and steel fabricating related. For these reasons, SMI takes a serious and active interest in transportation matters that affect the region.

SMI supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers. The transaction will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic.

SMI urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Monty L. Parker, Sr., declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 1st day of May, 2003.


Monty L. Parker, Sr.
Vice President, Rail Transportation

**Commercial Metals Company**

P.O. Box 1046 Dallas, Texas 75221-1046
6565 N. MacArthur Blvd., Suite 800 Irving, Texas 75039



May 8, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K. Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern—Control—The Kansas City Southern Gateway Eastern Railway Company, And The Texas Mexican Railway Company*
(STB Finance Docket No. 34342)

Dear Mr. Williams,

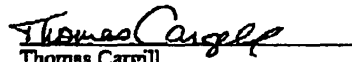
My name is Thomas Cargill. I am Assistant Traffic Manager of the Dallas Trading Division (DTD) of Commercial Metals Company based in Irving, Texas. I have been responsible for our rail negotiations and operations for 6 years. Our company is primarily manufacturing based with the bulk of our business being in scrap processing, steel production and steel fabrication related. The Dallas Trading Division primarily imports steel products from Mexico and overseas. For these reasons, DTD takes a serious and active interest in transportation matters that affect the region.

DTD supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex-Mex") filed at the Surface Transportation Board ("Board"). DTD ships steel products to and from Mexico in addition to U.S. domestic moves.

The lines of KCS and Tex-Mex are a vital link for DTD and our customers in the South and Southwest with our customers and suppliers in Mexico. KCS and Tex-Mex already are an important carrier for DTD's business. This end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufactures. The transaction will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic for which DTD is heavily involved.

DTD urges the Board to consider this transaction and approve the transaction at the earliest possible time.

I, Thomas Cargill, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 7th day of May, 2003.


Thomas Cargill
Assistant Traffic Manager, DTD

Telephone: 214-689-4300 FAX: 214-689-5886 E-Mail: admin@commercialmetals.com

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Director of Copper Basin Railway, Inc. located at PO Drawer I, Highway 177, Hayden Junction, Hayden, AZ 85235.

The Copper Basin Railway, Inc. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Copper Basin Railway.

Copper Basin Railway, Inc. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Director
Copper Basin Railway, Inc.
2605 Thomas Drive
Panama City Beach, FL 32408

STB

6 / 2 *

96766545

5 - 8-03: 4:50PM

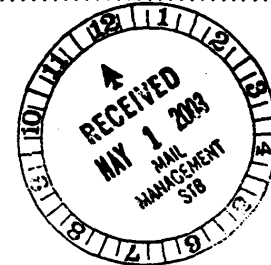


DSR

Delta Southern Railroad, Inc.

April 24, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001



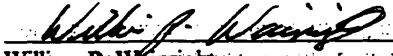
RE: Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and The Texas Mexican Railway Company (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is William P. Wainright. I am the President of Delta Southern Railroad, Inc., located at 469 Port Road, Tallulah, LA 71282. I have held this position for 15 years. The Delta Southern Railroad connects with the Kansas City Southern at Tallulah, LA. The Delta Southern Railroad has three short line railroads located in Northeast Louisiana and Southeast Arkansas, comprising 142 miles of track.

Delta Southern Railroad supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). We believe this transaction will benefit Delta Southern Railroad by enhancing a rail network offering opportunities for service improvements and efficiencies. While KCS and Tex Mex already operate as joint venture partners, the common control of the railroads will secure a link in the NAFTA Railway's network and potentially open up new customers. We believe that this end-to-end transaction will have no competitive harms. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, William P. Wainright, declare under penalty of perjury that the forgoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 24th day of April, 2003.


William P. Wainright
President

P. O. Box 1709 — Madison Parish Port — Tallulah, Louisiana 71282
Telephone 318-574-5420 — FAX 318-574-4029



The Dow Chemical Company
Midland, Michigan 48674

May 5, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB
Finance Docket No. 34342)

Dear Mr. Williams:

The Dow Chemical Company supports the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex").

Dow is one of North America's largest shippers of chemicals and plastics by railroad, making in excess of 130,000 carload shipments per year from eight major, as well as several smaller, North American plant sites. Dow has significant investment in rail transportation, owning or leasing some 28,000 tank cars and hopper cars. Dow makes in excess of 3,000 carload shipments annually to Mexico.

While Dow believes that a restructuring of the control of KCSR, Gateway Eastern and Tex Mex by KCS is positive for service and cycle time, Dow continues to be extremely concerned about the continuing concentration that is taking place within the railroad industry and its' impact on railroad-to-railroad competition. Any railroad merger, even one that is "end to end" can cause a loss of competition over at least part of many routes. In this particular case, however, Dow feels there are no obvious competitive harms due to the fact that KCS and Tex Mex already operate as joint venture partners. Dow suggests that the Surface Transportation Board find a way to enhance rail-to-rail competition as a condition of approval of this or any railroad merger.

Notwithstanding our concern over the matter of the loss of rail competition, which we trust the STB will effectively deal with, The Dow Chemical Company supports the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. Finally, we believe this transaction should proceed as a minor transaction.

Sincerely,

William L. Gebo
Manager, Rail Services Purchasing



P. O. BOX 760 WESTLAKE, LA. 70669

MAY 5 2003

April 29, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: The Kansas City Southern Railway Co., Gateway Eastern Railway Co., and
The Texas Mexican Railway Co. (STB Finance Docket No. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern (KCS) to continue to control The Kansas City Southern Railway Co. (KCSR) and Gateway Eastern Railway Co. (Gateway Eastern) and gain control of the Texas Mexican Railway Co. (Tex Mex). Our company ships and receives concrete and aggregate products between Louisiana and various locations in Texas and Mexico via a combination of these lines.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end to end transaction will have no competitive harms. We believe this transaction will benefit Dunham-Price, Inc. by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will also, improve service through Houston and provide more consistent and reliable service between the U.S. and Mexico. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Price Jr.', is written over the word 'Sincerely,'.

Robert W. Price Jr.
President

EAST TENNESSEE RAILWAY, L.P.

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of East Tennessee Railway, L.P. located at PO Box 1479, Johnson City, TN 37605. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The East Tennessee Railway, L.P. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with East Tennessee Railway.

East Tennessee Railway, L.P. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of East Tennessee Railway, L.P.
2605 Thomas Drive
Panama City Beach, FL 32408

STB

7 / 21

96766545

5 - 8-03: 4:50PM



FARMERS GRAIN TERMINAL, L.L.C.

807 W. MAIN • P.O. Box 158 • RICHMOND, MO 64085
816-776-2291 • FAX: 816-776-3213

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

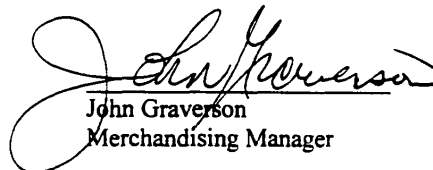
RECEIVED
MAY 6 2003
MAIL
TRANSPORTATION
STB

RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)*

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships bulk farm commodities such as corn and soybeans from Slater, Missouri to various domestic destinations such as St. Louis, the Arkansas poultry market, Texas and Louisiana gulf ports, Laredo, Texas for crossing into Mexico via the Gateway Western / Kansas City Southern Railway.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit the local farmers / producers of Farmers Grain Terminal by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.


John Graverson
Merchandising Manager

FORT WORTH & WESTERN RAILROAD

A Tarantula Corporation Company

April 29, 2003

MAY 5 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)*

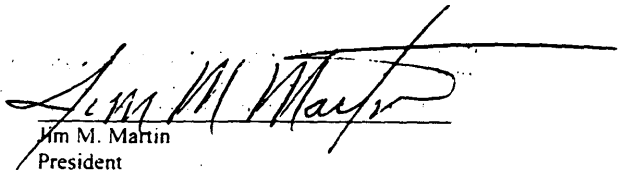
Dear Mr. Williams:

My name is Jim Martin. I am the President of Fort Worth & Western Railroad, located at 1200 Ridglea, Suite 1200, Fort Worth Texas, 76116-5738. I have held this position for eight years. The Fort Worth & Western Railroad headquartered in Fort Worth Texas serves over 100 rail customers on 280 miles of track. Our interest in recommending the support of this change of control is to provide a strong competitive choice in our customer's transportation needs. For these reasons, Fort Worth & Western Railroad takes a serious and active interest in transportation matters that affect the region as we connect with KCS and work actively with them to market to customers.

The Fort Worth & Western Railroad supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers located on our Shortline. The transaction will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic and the Customers located on our Shortline.

Fort Worth & Western Railroad urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Jim Martin, President, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 30 day of, April, 2003.



Jim M. Martin
President

6300 Ridglea Place, Suite 1200, Fort Worth, TX 76116
Phone 817-763-8297 Fax 817-738-9657

GALVESTON RAILROAD, L.P.

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)*

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Galveston Railroad, L.P. located at PO Box 1108, 37th & Old Port Industrial Blvd., Galveston, TX 77553. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Galveston Railroad, L.P. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Galveston Railroad.

Galveston Railroad, L.P. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Galveston Railroad, L.P.
2605 Thomas Drive
Panama City Beach, FL 32408

GEORGIA CENTRAL RAILWAY, L.P.

STB

12 / 8 21

5656545

5-8-03: 4:50PM

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Georgia Central Railway, L.P. located at 200 Main Street, S.E., PO Box 466, Vidalia, GA 30475. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Georgia Central Railway, L.P. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Georgia Central Railway.

Georgia Central Railway, L.P. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Georgia Central Railway, L.P.
2605 Thomas Drive
Panama City Beach, FL 32408

KWT RAILWAY, INC.

STB

9 / 21

: 96766545

5 - 8-03: 4:50PM:



**Great Lakes Carbon
Corporation**

Principal Business Office:
4 Greenspoint Plaza, Suite 2200
16945 Northchase Drive
Houston, TX 77060
Phone: (281) 775-4700
Fax: (281) 775-4744

Executive Office:
551 Fifth Avenue, Suite 3600
New York, NY 10176

May 6, 2003

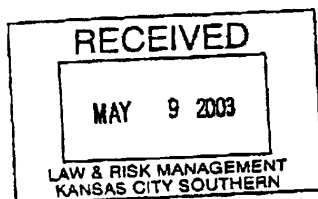
Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)*

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships *Calcined Petroleum Coke* from *Baton Rouge, LA, and Port Arthur, TX, to various North American locations via KCS Railroad.*

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit *Great Lakes Carbon Corp.* by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.



Melinda Dillon-Vance
Melinda Dillon-Vance
Transportation Manager

Support Letters.doc

FROM :

FAX NO. : 5033637373

May. 06 2003 12:09PM P1



GREENWOOD PRODUCTS, INC.

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)*

Dear Mr. Williams:

My name is Robert Coffing, I am the Rail Transportation Consultant of Greenwood Products, located at 15895 S.W. 72nd Ave, Ste. 200 Portland, Or. 97224. I have held this position for seven years. Greenwood Forest Products is involved in shipping marine and industrial plywood throughout the U.S. and expanding sales into Mexico. For these reasons, Greenwood takes a serious and active interest in transportation matters that affect the region and potential expansion opportunities.

Greenwood Products supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers. The transaction will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic.

Greenwood urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Robert Coffing, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 6th day of May, 2003.

Robert Coffing


Rail Transportation Consultant

15895 SW 72nd Avenue, Suite 200 - Portland, Oregon 97224
Telephone 503-670-9663 • Toll Free 800-333-3890 • Fax 503-670-7735
www.greenwoodproducts.com

2003 MAY 06 12:09 PM

10:48:58 AM

CS KR VHNLUVER MH



April 29, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, and The Texas Mexican Railway Company
(STB Finance Docket No. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control the Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships (product) from (origin geographically location) to (destination geographically location) via (railroads used).

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Hood Industries by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Thank you for your attention to this matter.

Sincerely,

Ron Coker
Sales and Marketing Manager/Lumber Division
Hood Industries, Inc.
Hattiesburg, MS

HUB GROUP, INC.
3060 HIGHLAND PARKWAY, SUITE 100
DOWNERS GROVE, IL 60516

THOMAS L. HARDIN
PRESIDENT AND
CHIEF OPERATING OFFICER

April 28, 2003

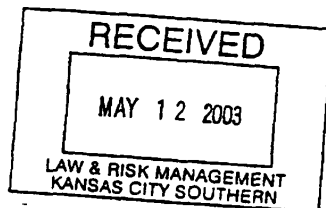
Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)*

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Hub Group, Inc. is the largest Intermodal Marketing Company in North America with transportation revenues exceeding \$1.0 billion annually.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Hub Group, Inc. by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.



Thomas L. Hardin

HUNTSMAN

May 1, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB
Finance Docket No. 34342)*

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships Chemicals, Polyurethanes and Surfactants from Port Neches, TX and Geismar, LA to various domestic US and Mexico destinations via KCS.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Huntsman by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Regards,



Robert T. Johnson
Director-Transportation & Logistics

CC:

Mr. Thomas J. Healey The Kansas City Southern Railway Company P.O. Box 219335 Kansas City, MO 64121-9335	Mr. William A. Mullins Troutman Sanders LLP 401 9 th St. N.W. Suite 1000 Washington, D.C. 20004-2134
--	---

HUNTSMAN CORPORATION
3040 Post Oak Boulevard • Houston, Texas 77056 • 713-235-6000 • Fax 713-235-6416

Inland Paperboard and Packaging, Inc.
4030 Vincennes Road
Indianapolis, Indiana 46268-0937
Phone 317.879.4546 Fax 317.879.4822
e-mail dwelch@iccnet.com

Donald A. Welch
General Manager - Logistics

April 29, 2003



INLAND
A Temple-Inland Company

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

Dear Mr. Williams:

Please accept the enclosed Verified Statement in support of STB Finance Docket No. 34342. I have included ten (10) copies for your convenience.

The Kansas City Southern Railway Company (KCS) currently services our Bogalusa, Louisiana and Orange, Texas paper mills on a daily basis. The KCS provides competitive service and rates to the Canadian National Railroad at Bogalusa and the Union Pacific Railroad at Orange. We find the KCS rates and service to be superior and of great benefit to us in our highly competitive business.

The KCS provides service to both our domestic and Mexican customers, and this transaction will enable them to provide additional service and improve our current service through Houston, Texas.

Thank you.

Sincerely,

Donald A. Welch
General Manager-Logistics

Enclosures

cc: Thomas J. Healey - KCS
William A. Mullins - Troutman Sanders LLP

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Finance Docket No. 34342

KANSAS CITY SOUTHERN

CONTROL

**THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY, AND
THE TEXAS MEXICAN RAILWAY COMPANY**

**VERIFIED SUPPORT STATEMENT OF
INLAND PAPERBOARD AND PACKAGING, INC
INDIANAPOLIS, INDIANA**

**by: Donald A. Welch
Inland Paperboard and Packaging, Inc
4030 Vincennes Road
Indianapolis, IN 46268**

April 29, 2003

VERIFIED STATEMENT

My name is Donald A. Welch. I am General Manager-Logistics for Inland Paperboard and Packaging, Inc. I have been employed with Inland Paperboard and Packaging, Inc. for fifteen years. My transportation experience totals over twenty six years. My business address is: Inland Paperboard and Packaging, Inc., 4030 Vincennes Road, Indianapolis, Indiana 46268.

This verified statement is in support of the Kansas City Southern's (KCS) application to control the Kansas City Southern Railway company (KCSR), Gateway Eastern Railway Company (Gateway Eastern) and the Texas Mexican Railway Company (Tex Mex) filed at the Surface Transportation Board (Board).

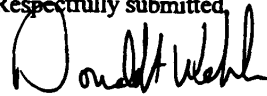
Inland Paperboard and Packaging, Inc. is a vertically integrated paper products company with six mills, fifty four corrugated container plants and forty two warehouses throughout the United States. We produce kraft linerboard and medium at our mills, and various corrugated packaging containers and trays at our plants. Our net sales for 20002 exceeded 3 billion dollars and our total transportation costs were over 200 million dollars. Our products are marketed throughout the United States, Canada, Mexico, Europe and Asia, and rail shipments account for 35% of our total freight movements.

We understand that KCS is seeking authority to continue to control KCS's two railroads, KCSR and Gateway Eastern and gain control of Tex Mex. KCS and Tex Mex already operate as joint venture partners and we believe this step will strengthen rail competition and provide improved service and routing for shippers on KCSR and Tex Mex. The common control of KCSR and Tex Mex is an end-to-end combination that will have no

adverse impacts. We believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, Donald A. Welch, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Respectfully submitted,

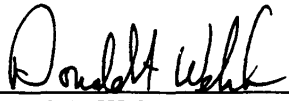
A handwritten signature in black ink, appearing to read "Donald Welch", written over the printed name.

Donald A. Welch
General Manager-Logistics
Inland Paperboard and Packaging, Inc.

VERIFICATION

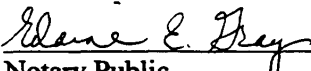
County of Marion)
) ss
State of Indiana)

Donald A. Welch, being duly sworn, deposes and says he read the foregoing statement, knows the contents thereof, and that the same are true as stated.



Donald A. Welch

Subscribed and sworn to before me this 29th day of April, 2003.



Notary Public

My Commission expires ELAINE E. GRAY
NOTARY PUBLIC STATE OF INDIANA
HENDRICKS COUNTY
MY COMMISSION EXP. AUG. 4 2009

Jefferson Triangle Marine, L.P.
5930 Star Lane, Suite B
Houston, Texas 77057
(713) 974-1488
(713) 782-7608 FAX

April 28, 2003

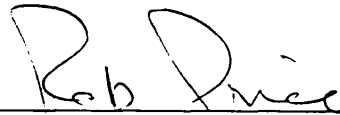
Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, and The Texas Mexican Railway Company
(STB Finance Docket Do. 34342)*

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company owns a 400 acre industrial park in Beaumont, Texas served by KCS Railway. We have a number of companies that rely on KCS shipping for products.

Our industrial park will benefit by improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we support the transaction for KCS to control KCSR, Gateway Eastern and Tex Mex and believe this transaction should proceed as a minor transaction and conclude at the earliest possible time



Rob Price, Jr.
President

Jefferson Triangle Properties, L.P.
5930 Star Lane, Suite B
Houston, Texas 77057
(713) 974-1488
(713) 782-7608 FAX

April 28, 2003

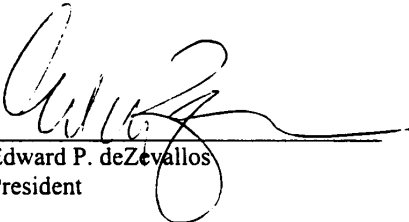
Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, and The Texas Mexican Railway Company*
(STB Finance Docket Do. 34342)

Dear Mr. Williams:

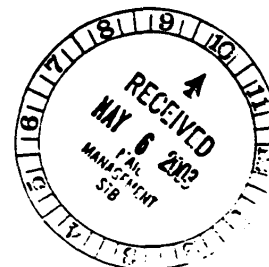
This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company owns a railyard containing over three miles of track on a KCS service line in Beaumont, Texas. Cars from chemical plants and oil refineries in Texas and Louisiana ship in cars for holding and storage.

We support the transaction for KCS to control KCSR, Gateway Eastern and Tex Mex. We believe this transaction will benefit Jefferson Triangle Properties, L.P., and our customers by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Beaumont and Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.


Edward P. deZavillos
President

The Kansas & Oklahoma Railroad

**315 W. Third Street
Pittsburg, KS 66762
(620) 231-2230**



Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: Kansas City Southern--Control-- The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Rick Webb and I am the President of the Kansas & Oklahoma Railroad, located in central and western Kansas. The K&O Railroad serves more than 120 customers and we have a very active interest in offering quality transportation with the KCS to our mutual customers. For these reasons, the Kansas & Oklahoma Railroad takes a serious and active interest in transportation matters that affect the region.

The K&O Railroad supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers located on our Shortline. The transaction will also will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic and the Customers located on our Shortline.

The Kansas & Oklahoma Railroad urges the Board to consider this transaction as a minor transaction and to approve the transaction at the earliest possible time.

I, Richard B. Webb, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 5th day of May, 2003.

Thank you for your consideration.

Sincerely yours,

R. B. Webb

RICHARD B. WEBB
President and CEO
Kansas & Oklahoma Railroad

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of KWT Railway, Inc. located at PO Box 18180, Garden City, GA 31418. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The KWT Railway, Inc. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with KWT Railway.

KWT Railway, Inc. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of KWT Railway, Inc.
2605 Thomas Drive
Panama City Beach, FL 32408

STB

10 / 21

: 96766545

5 - 8-03 : 4:50PM :

LaserNet

Laser Networking, Inc.

Multi-modal Transportation Solutions

9850 Pelham Rd.
Taylor, MI 48180

1.313.295.3000
(Fax) 1.313.295.0871

May 7, 2003

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

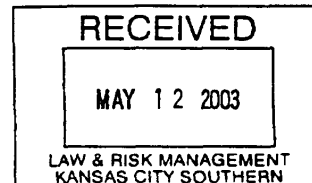
RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and The Texas Mexican Railway Company*
(STB Finance Docket No. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Laser Networking, Inc. (Lasernet), is an Intermodal Marketing Company and ships various products on behalf of its customer base throughout North America utilizing the services of all the available rail carriers, including the KCS. We are actively involved with our nations automotive industry and are continually seeking to expand our markets by providing a high quality, cost competitive intermodal product capable of serving the Just-In-Time (JIT) needs of this industry.

We support the transactions for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Laser Networking, Inc. by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Gary R. Rutledge
Vice President



LITTLE ROCK & WESTERN RAILWAY, L.P.

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Little Rock & Western Railway, L.P. located at PO Box 146, 306 West Choctaw Avenue, Perry, AR 72125. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Little Rock & Western Railway, L.P. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Little Rock & Western Railway.

Little Rock & Western Railway, L.P. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Little Rock & Western Railway,
L.P.
2605 Thomas Drive
Panama City Beach, FL 32408

M&B RAILROAD, L.L.C.

STB

12 / 11 *

96766545

5-8-03: 4:50PM



Longview Fibre Company

Value-Added Products • Sustainable Forestry

April 28, 2003

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

Reference: STB Finance Docket No. 34342

Enclosed is the verified statement of Longview Fibre Company in support of Kansas City Southern—Control—The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and The Texas Mexican Railway Company.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ivan A. Olson", written over a horizontal line.

Ivan A. Olson
Vice President Transportation

Encl.

CORPORATE OFFICES

300 Fibre Way • P.O. Box 639, Longview, WA 98632
Phone (360) 425-1550 • Fax (360) 575-5934 • www.longviewfibre.com

VERIFIED STATEMENT
OF
Ivan A. Olson
On behalf of
LONGVIEW FIBRE COMPANY

My name is Ivan A. Olson, vice president of transportation for Longview Fibre Company, located at Longview, Washington. The business address of Longview Fibre Company is P. O. Box 639, Longview, WA 98632. I received license to practice before the Interstate Commerce Commission and the Federal Maritime Commission and have a Master of Business Administration degree from the University of Oregon. I have been employed in my present capacity for nearly thirty years and am responsible for the transportation service provided to all the Longview Fibre Company facilities.

This verified statement is written in support of the Kansas City Southern (KCS) application to control The Kansas City Southern Railway Company (KCSR), Gateway Eastern Railway Company (Gateway Eastern) and The Texas Mexican Railway Company (Tex Mex) filed at the Surface Transportation Board (STB).

Longview Fibre Company operates one of the largest pulp and paper mills in the world at its' Longview Washington facility. The company has 17 converting plants in 12 states which produce finished products including corrugated containers, specialty packaging and merchandise bags. Shipments of the company products are throughout the United States, Canada and Mexico. The company spends in excess of eighty million dollars annually on freight to transport products.

We believe the centralized control of the three rail systems will generate more efficiencies of operation and enhance the value of service to shippers. Our customers are demanding improvement in service and reliability in order to meet the requirements of the market place. The inventory levels in our own plants have been reduced to lower costs thereby relying more heavily on the efficiency of the transportation system to provide an adequate stock of raw material.

It is our understanding that the KCS is seeking authority to continue to control KCS's two railroads, KCSR and Gateway Eastern and gain control of Tex Mex. KCS and Tex Mex already operate as joint venture partners and this step should strengthen rail competition and provide service improvement for shippers utilizing the KCSR and Tex Mex. The common control of the KCSR and Tex Mex is an end-to-end combination that should have no adverse impacts. We believe this transaction should proceed as a minor transaction and conclude at the earliest possible date.

I, Ivan A. Olson, declare under penalty of perjury that the foregoing is true and correct.
Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 28th day of April, 2003

Submitted by:

Ivan A. Olson
Vice President Transportation
Longview Fibre Company
P. O. Box 639
Longview, WA 98632

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of M&B Railroad, L.L.C. located at 119 22nd Avenue South, Meridian, MS 39301. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The M&B Railroad, L.L.C. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad as we interchange directly with KCS at Meridian, MS. We are pursuing with KCS an improved train service connecting with CSXT. This route would handle KCS and its control railroads traffic.

M&B Railroad, L.L.C. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

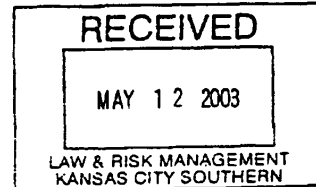
Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of M&B Railroad, L.L.C.
2605 Thomas Drive
Panama City Beach, FL 32408

STB

12/21

96766545

5-8-03: 4:50PM



May 9, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)*

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships molten sulfur, fuel oil, and asphalt from mid-continent to south Texas, Mexico and Florida via KCS, UP, and CSX.

Martin Resource Management Corp ("Martin") believes successful utilization of the KCSR/Gateway/Tex Mex would increase our shipment flexibility substantially. It would also allow common control of shipments to destinations and strengthen rail competition in our area of operations.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Martin by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.


Donald R. Neumeyer
Vice President Operations

Support Letters.doc
4200 Stone Road - Post Office Box 191 - Kilgore, Texas 75663-0191 - (903) 983-6200 - Fax (903) 983-6262



VERIFIED STATEMENT
OF

Donald R. Neumeyer
on behalf of

Martin Resource Management Corp

My name is Donald R. Neumeyer. I am the Vice President Operations of Martin Resource Management Corp ("Martin"), located at 4200 Stone Road, Kilgore, Texas. I have been employed in my present capacity for the past 21 years and I am directly responsible for the procurement and maintenance of efficient and reliable transportation service for Martin. This verified statement is written in support of the Kansas City Southern's ("KCS") application to control The Kansas City Southern Railway Company ("KCSR"), Gateway Eastern Railway Company ("Gateway Eastern") and The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board").

Martin is a company of 1000 employees, with three terminals on the Gulf Coast. Molten sulfur, fuel oil and asphalt are moved from mid-continent to points in South Texas, Mexico, and Florida.

We understand that KCS is seeking authority to continue to control KCS's two railroads, KCSR and Gateway Eastern and gain control of Tex Mex. KCS and Tex Mex already operate as joint venture partners and we believe this step will strengthen rail competition and provide improve service and routing for shippers on KCSR and Tex Mex. The common control of KCSR and Tex Mex is an end-to-end combination that will have no adverse impacts. We believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, Donald R. Neumeyer, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 9th day of May, 2003.

Martin Resource Management Corp

Donald R. Neumeyer
Vice President Operations

MeadWestvaco Corporation tel 804 327 7900
1011 Boulder Springs Drive
Richmond, VA 23225

MeadWestvaco

April 30, 2003

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

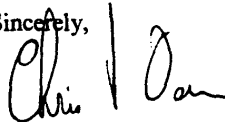
RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, and The Texas Mexican Railway Company*
(STB Finance Docket No. 34342)

Dear Mr. Williams:

MeadWestvaco is an \$8 billion pub and paper company with facilities across the United States and in over 100 countries. Currently, we ship over 120,000 tons of paper and packaging material to Mexico. We believe the trade with Mexico is a growing opportunity and as such, we believe the proposal before the board referencing the control of The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") is positive move to support our growth.

MeadWestvaco fully supports this transaction, and believe it will improve competition in those Mid-Western areas serviced through Houston and subsequently provide MeadWestvaco with a global competitive advantage into and out of Mexico. Finally, we believe this transaction should proceed as a minor transaction and be concluded at the earliest possible time. Thank you for taking our opinion into consideration.

Sincerely,



Chris L. Osen
Vice President of Logistics

The Honorable VERNON A WILLIAMS
Secy. Of Surface Transportation Board
1925 K St. N.W.
Washington, D.C. - 2423-0001

Egbert, Wyoming
UPRR ZTS 02-816-00

Post Office Box 9 • Cheyenne, Wyoming 82003
307.630-1511 or 307.630-1515
307.432-9691
www.mid-continentusa.com

STB Finance Docket - No. 34342

VERIFIED STATEMENT
OF

Robert H Coffing
on behalf of
Mid Continent - I-80 Transload

My name is Robert Coffing. I am the Director Of Rail Transportation of Mid Continent - I-80 Transload, Egbert (Cheyenne), Wyoming. I have been employed in my present capacity for the past two years and I am directly responsible for the procurement and maintenance of efficient and reliable rail transportation service for I-80 Transload. This verified statement is written in support of the Kansas City Southern's ("KCS") application to control The Kansas City Southern Railway Company ("KCSR"), Gateway Eastern Railway Company ("Gateway Eastern") and The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board").

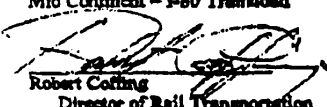
Maintaining a strong, viable, rail transportation network is essential to our business. KCS application not only strengthens the KCS line but the industry in total. We see it as a means of eliminating a rail bottleneck in Houston as well as streamlining the move to and from important areas of Mexico and residually boosting our opportunities for handling traffic in connection with our I-80 operation as well as favorably impacting shippers in other areas.

In view of the fact that this application will have no adverse effect on other carriers, we urge you to treat this application as a minor transaction and favorably conclude at the earliest possible date.

I, Robert Coffing, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this 6 day of May, 2003.

Mid Continent - I-80 Transload


Robert Coffing
Director of Rail Transportation

MID-CONTINENT TRANSLOAD FACILITY • INDUSTRIAL PARK

MILLER AND COMPANY
Stinnes Logistics

May 6, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington DC 20423 - 0001

Re: Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and The Texas Mexican Railway Company (STB Finance Docket No. 34342)

Dear Mr. Williams,

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Miller and Company LLC ships to Mexico via various U.S. carriers including the KCS in conjunction with the TFM and TM.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will actually strengthen rail competition. We believe this transaction will also benefit Miller and Company LLC by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally we believe this transaction should be processed as a minor transaction and conclude at the earliest possible time.

Sincerely,



Ed Kozirowski (Koz)
Manager - Transportation/Logistics

ERK/mw

Miller and Company LLC
6400 Shafter Court
Suite 500
Houston, Texas 77048

Telephone: 847.866.2400
Fax: 847.896.2419
E-Mail: mlc@millersandco.com
www.millersandco.com

TOTAL P.01



O.K. TRANSPORTATION, INC.

100 NORTH WILSON ROCK ROAD • P.O. BOX 810 • MULDROW, OK 74948
918-427-1784

April 29, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company*
(STB Finance Docket No. 34342)

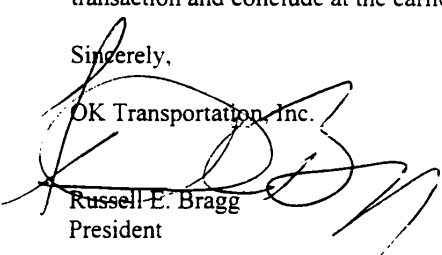
Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships poultry products from Muldrow, Oklahoma to potentially the interior of Mexico via the KCS railway.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit OK Transportation, Inc. by facilitation improved transit time for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Sincerely,

OK Transportation, Inc.


Russell E. Bragg
President



THE PAPER TIGERS

2121 WAUKEGAN ROAD

SUITE 130

BANNOCKBURN, IL 60015

Phone: (847) 919 6568

Fax: (847) 919 6501

E-mail : dfackler@papertigers.com

May 8, 2003

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

RE: STB Finance Docket No. 34342
Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern
Railway Company, and The Texas Mexican Railway Company

Dear Mr. Williams,

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control the Kansas City Southern Railway Company ("KCSR") and the Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). The Paper Tigers ships carloads of scrap paper from various points in the United States to destinations in Mexico via several U.S. carriers including the KCS in conjunction with the TFM and TM.

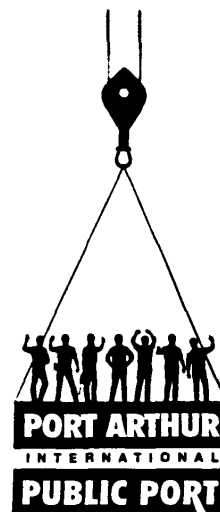
In supporting the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex, we believe this common control will provide opportunity for service improvements and efficiencies, strengthen rail competition and improve service through Houston. This transaction should also benefit The Paper Tigers by facilitating improved transit times for shipments and opening the potential for us to expand our markets. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Best Regards,

David D. Fackler
Traffic Manager
The Paper Tigers, Inc.

REF: STB Finance Docket No. 34342

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, D.C. 20423-0001



VERIFIED STATEMENT
OF
FLOYD J. GASPARD
on behalf of
PORT OF PORT ARTHUR

My name is Floyd Gaspard. I am the Port Director of the Port of Port Arthur, located at 221 Houston Avenue, Port Arthur, Texas. The Port has worked closely with the KCS Railroad since 1964 in bringing new business into KCS served destinations and beyond. For instance last year, the KCS Railroad handled almost 7900 railcars with over 600,000 tons of cargo.

Over the years this relationship has grown into a partnership with the KCS providing the lead in working with other railroads to enhance the Port's competitive advantage. The world's leading producer of bleached eucalyptus pulp has placed Port Arthur on a very short list of ports considered to handle their product in North America. This could not have been accomplished without the efforts of the KCS.

The Port of Port Arthur supports the control application of the Kansas City Southern ("KCS") to continue to control the Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for rail traffic from the Mid-West to the Mexican border. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the

Box 1428 / Port Arthur, Texas 77641 / Area Code 409/983-2011, 983-2029, FAX 985-9312
EMAIL: sales@portofportarthur.com <http://www.portofportarthur.com>

proposed transaction should ensure the continued viability and vitality of existing rail service for local industries, exporters and importers. The transaction will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic.

The Port of Port Arthur urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Floyd Gaspard, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 2 day of May, 2003.


Floyd J. Gaspard
Port Director



John P. LaRue
EXECUTIVE DIRECTOR

May 2, 2003

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: STB Finance Docket No. 34342

***Kansas City Southern – Control – The Kansas City Southern Railway Company
Gateway Eastern Railway Company, And The Texas Mexican Railway Company***

Dear Secretary Williams:

My name is John P. LaRue. I am the Executive Director of the Port of Corpus Christi Authority of Nueces County, Texas. My business address is 222 Power Street, Corpus Christi, TX 78401, and the mailing address is P O Box 1541, Corpus Christi, TX 78403. I have been employed as the Executive Director since April 26, 1994. The Port of Corpus Christi Authority of Nueces County, Texas (also referred to herein as the "Port of Corpus Christi" or "Port") is a political subdivision of the State of Texas and is responsible for the operation of the deep-water port located at Corpus Christi, Texas.

The following comments support the application of Kansas City Southern Railway Company ("KCS") to continue in control of the Gateway Eastern Railway Company and to gain control of The Texas Mexican Railway Company (Tex Mex).

Rail service at the Port is provided by the Burlington Northern and Santa Fe Railway Company (BNSF), Union Pacific Railroad Company (UP), and the Tex Mex. Competitive rail service is extremely important to the Port and our customers. Products moving by rail include but are not limited to bulk grain, packaged grain and grain products, dry bulk products including coal, minerals, metallic ores, machinery, iron and steel articles, industrial equipment, refrigerated products and military equipment. The Port appreciates and values its relationships with the three serving railroads with a focus on helping insure their success here.

The Tex Mex in particular provides an essential link between Corpus Christi, including the Port, and Mexico via Laredo, TX. The current joint venture partnership between KCS and Tex Mex has provided a competitive opportunity for the Port and its customers. We believe KCS' application to control the Tex Mex, if approved, will strengthen both carriers under a common management, promote competition and improve service.

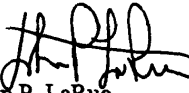
Website: www.portofcorpuschristi.com

222 Power Street Corpus Christi, TX 78401 • P.O. Box 1541 Corpus Christi, TX 78403 • TEL: 361-882-5633 • FAX: 361-882-7110

Mr. Vernon A. Williams
May 2, 2003
Page -2-

The Port of Corpus Christi respectfully asks the Board to consider the KCS application as a minor transaction and approve the transaction at the earliest possible time.

Sincerely,


John P. LaRue
Executive Director

AFB/JPL/sld

cc: Mr. Thomas J. Healey
The Kansas City Southern Railway Co.
P O Box 219335
Kansas City, MO 64121-9335

Mr. William A Mullins
Troutman Sanders LLP
401 9th St. N W
Washington, DC 20004-2134

VERIFICATION

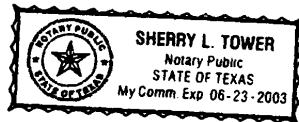
I, John P. Larue, declare under penalty of perjury that the foregoing is true and correct.
Further, I certify that I am qualified to file this verified statement.

John P. Larue

Signer
Executive Director, Port of Corpus Christi

Title & Company

SWORN TO and Subscribed before me by JOHN P. LARUE on this
2ND day of May, 2003.



(SEAL)

Sherry L. Tower

Notary Public Signature

Cyril Eckl
Vice President, Transportation & Distribution



Correspondence

PotashCorp

May 1, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001



RE: Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, and The Texas Mexican Railway Company
(STB Finance Docket No. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). PCS Sales ships 80,000 NT of upgraded liquid phosphates from Florida and North Carolina to destinations throughout Mexico via various U.S. carriers including the KCS in conjunction with the TFM and TM.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will actually strengthen rail competition. We believe this transaction will also benefit PCS Sales (USA), Inc. by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.


Cyril Eckl

PCS SALES (USA), INC.
SUITE 400 1101 SKOKIE BOULEVARD PO BOX 3320 NORTHBROOK IL 60062 • PHONE (847) 849-4370 FAX (847) 849-4692

Cyril Eckl
Vice President, Transportation & Distribution



PotashCorp

VERIFIED STATEMENT
OF
CYRIL ECKL
on behalf of
PCS SALES (USA), INC.

My name is Cyril Eckl. I am the Vice President, Transportation and Distribution, for PCS Sales (USA), Inc., located at 1101 Skokie Blvd., Northbrook, Illinois 60062. I have been employed in my present capacity for the past three years and I am directly responsible for the procurement and maintenance of efficient and reliable transportation service for PCS Sales (USA), Inc. This verified statement is written in support of the Kansas City Southern's ("KCS") application to control The Kansas City Southern Railway Company ("KCSR"), Gateway Eastern Railway Company ("Gateway Eastern") and The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board").

Potash Corporation of Saskatchewan Inc. is the world's largest fertilizer enterprise producing the three primary plant nutrients and a leading supplier to three distinct market categories: agriculture, with the largest capacity in the world in potash, fourth largest in phosphate and third largest in nitrogen; animal nutrition, with the world's largest capacity in phosphate feed ingredients; and industrial chemicals, as the largest global producer of industrial nitrogen products and one of only three North American suppliers of industrial phosphates. To this end we presently ship feed ingredients and industrial phosphates for the food industry from Florida and North Carolina to various locations in Mexico.

We understand that KCS is seeking authority to continue to control KCS's two railroads, KCSR and Gateway Eastern and gain control of Tex Mex. KCS and Tex Mex already operate as joint venture partners and we believe this step will strengthen rail competition and provide improved service and routing for shippers on KCSR and Tex Mex. The common control of KCSR and Tex Mex is an end-to-end combination that will have no adverse impacts. We believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, Cyril Eckl, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this first day of May, 2003.



Cyril Eckl

PCS SALES (USA), INC.
SUITE 400 1101 SKOKIE BOULEVARD P.O. BOX 3320 NORTHBROOK, IL 60062 • PHONE (847) 849-4370 FAX (847) 849-4692



RAVEN LOGISTICS, INC.

May 2, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

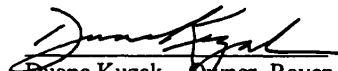
RE: *Kansas City Southern -- Control -- The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)*

Dear Mr. Williams:

My name is Duane Kuzak. I am the Owner and President of Raven Logistics, located at 3064 Orchard Lake Road, Keego Harbor, MI 48320. I have owned and operated this business for 10 years. Raven Logistics is an international freight management company specializing in strategic transportation planning for the forest products industry. We represent over 32 unique clients including producers, consumers and wholesalers of lumber products. Our clients ship over 20,000 carloads of forest products each year, with annual freight expenditures exceeding \$20 million dollars. A number of our clients are actively involved with marketing efforts into Mexico. Several of our larger clients are served directly by the Kansas City Southern Railroad. For these reasons, Raven Logistics takes a serious and active interest in transportation matters that affect the region.

Raven Logistics supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). KCS and Tex Mex already operate as joint venture partners and we believe this step will strengthen rail competition and provide improved service and routing for shippers on KCSR and Tex Mex. The common control of KCSR and Tex Mex is an end-to-end combination that will have no adverse impacts. We firmly believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, Duane Kuzak, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 2nd day of May, 2003.


Duane Kuzak - Owner, Raven Logistics

KCSSUPPORT

3064 Orchard Lake Rd. • Suite 200 • Keego Harbor, MI 48320 • (248) 683-9145 • Fax (248) 683-7136

CC:

Mr. Thomas J. Healey The Kansas City Southern Railway Company P.O. Box 219335 Kansas City, MO 64121-9335	Mr. William A. Mullins Troutman Sanders LLP 401 9 th St. N.W. Suite 1000 Washington, D.C. 20004-2134
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KCSSUPPORT



Reagent Chemical & Research, Inc.

1300 POST OAK BLVD., SUITE 680, HOUSTON, TX 77056

OFFICE: (713) 628-1843 • FAX: (713) 963-0951

May 1, 2003

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20006

Re: *Kansas City Southern – Control – The Kansas City Southern
Railway Company, Gateway Eastern Railway Company, and The
Texas Mexican Railway Company. (STB Finance Docket No.
34342).*

Dear Secretary Williams:

My name is Edwin E. Vigneaux. I am the Traffic Manager of Reagent Chemical & Research, Inc., located at 1300 Post Oak Boulevard, Houston, TX. I have been employed in my present position for the past eight years and I am directly responsible for the procurement and maintenance of efficient and reliable rail service for Reagent Chemical.

Reagent Chemical is the largest marketer of Hydrochloric Acid (HCL) in the United States. We operate the largest private fleet of rubber lined tank cars and tank trailers. The predominance of our production is in the Gulf Coast and 60% of our customers are located in the Western United States. We ship approximately 5,000 carloads and 8,000 truckloads of HCL annually in all areas of the country.

We understand the KCS is seeking authority to continue to control KCS's two railroads, the KCSR and Gateway Eastern and to gain control of the Tex-Mex. KCS and Tex Mex already operate as joint venture partners and we believe this step will strengthen rail competition as well as provide improved service and routing for shippers on the KCSR and Tex Mex. The common control of both railroads is an end-to-end combination that will have no adverse impacts. We believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Reagent Chemical supports the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end combination will have no negative impact on Reagent's business. We believe this transaction will offer benefits to Reagent Chemical by facilitating improved transit times for our

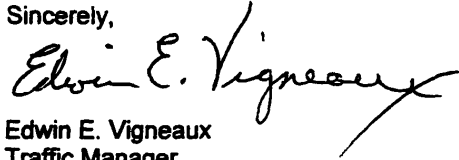


Reagent Chemical & Research, Inc.
Registered to ISO 9002
File # A6831

shipments and expanding our market reach. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West and Southeastern United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, Edwin E. Vigneaux, state under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified to file this statement on behalf of Reagent Chemical, executed on May 1, 2003.

Sincerely,

A handwritten signature in black ink, appearing to read "Edwin E. Vigneaux", with a long, sweeping horizontal stroke extending to the right.

Edwin E. Vigneaux
Traffic Manager

Paul Rosenblatt



Eco Services – Director, Transportation

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern – Control – The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)*

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Rhodia Inc. ships Sulfuric Acid and Sulfur Dioxide from our Baton Rouge, LA plant served directly by KCS to our markets in the Southeast and Southwest United States, seeking growth potential into Mexico. We would be more inclined to utilize The Texas Mexican Railway including TFM for these movements under a common control scenario as sought.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Rhodia Inc and Rhodia de Mexico by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

A handwritten signature in cursive script that reads "Paul Rosenblatt".

Paul Rosenblatt
Director of Transportation
Rhodia Eco-Services

PR:as

CC: Mr. Thomas J. Healey;
The Kansas City Southern Railway Company; P.O. Box 219335; Kansas City, MO 64121
Mr. William A. Mullins
Troutman Sanders LLP; 401 9th St. N.W.; Suite 1000; Washington, D.C. 20004

Rhodia Inc., 147 Putting Green Road, Trumbull, CT 06611 Telephone: (203) 268-0490 Fax: (203) 268-0672



sabine river & northern

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: *Kansas City Southern - Control - The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)*

Dear Mr. Williams:

My name is Jerry Montgomery. I am the General Manager of the Sabine River and Northern (SRN) located in Orange, TX. I have held this position for 12 years. The Sabine River and Northern Railroad has 40 miles of track and handles 12,000 carloads a year. The primary customers are 2 large paper mills and both of them ship a considerable amount of traffic to Mexico. For these reasons, SRN takes a serious and active interest in transportation matters that affect the region as we connect with the KCS and work actively with them to market to customers.

The SRN supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers located on our Shortline. The transaction will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic and the Customers located on our Shortline.

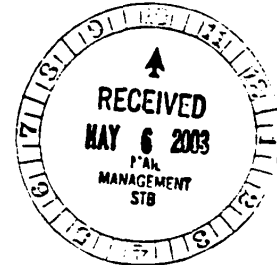
SRN urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, *Jerry Montgomery*, GM of SRN declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 1st day of May, 2003.

Jerry Montgomery
GM-Sabine River and Northern Railroad

The South Kansas & Oklahoma Railroad

**315 W. Third Street
Pittsburg, KS 66762
(620) 231-2230**



Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: Kansas City Southern--Control-- The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Rick Webb and I am the President of the South Kansas & Oklahoma Railroad, located in southeast Kansas and northeast Oklahoma. The SK&O Railroad serves more than 85 customers and we have a very active interest in offering seamless transportation with the KCS to our mutual customers. For these reasons, the South Kansas & Oklahoma Railroad takes a serious and active interest in transportation matters that affect the region as we connect with the KCS and work actively with them to market to customers.

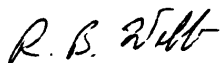
The SK&O Railroad supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers located on our Shortline. The transaction will also will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic and the Customers located on our Shortline.

The South Kansas & Oklahoma Railroad urges the Board to consider this transaction as a minor transaction and to approve the transaction at the earliest possible time.

I, Richard B. Webb, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 5th day of May, 2003.

Thank you for your consideration.

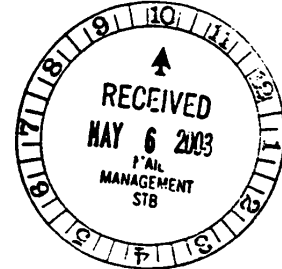
Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. B. Webb". The signature is written in a cursive style with a horizontal line extending from the end.

RICHARD B. WEBB
President and CEO
South Kansas & Oklahoma Railroad

The Stillwater Central Railroad

**315 W. Third Street
Pittsburg, KS 66762
(620) 231-2230**



Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: Kansas City Southern--Control-- The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Rick Webb and I am the President of the Stillwater Central Railroad, located in Oklahoma and operating from Tulsa south and west to Snyder. We also have a line that serves the city of Stillwater. The Stillwater Central Railroad serves more than 30 customers and we have a very active interest in offering quality transportation with the KCS to our mutual customers. For these reasons, the Stillwater Central Railroad takes a serious and active interest in transportation matters that affect the region.

The Stillwater Central Railroad supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers located on our Shortline. The transaction will also will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic and the Customers located on our Shortline.

The Stillwater Central Railroad urges the Board to consider this transaction as a minor transaction and to approve the transaction at the earliest possible time.

I, Richard B. Webb, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 5th day of May, 2003.

Thank you for your consideration.

Sincerely yours,

R.B. Webb

RICHARD B. WEBB
President and CEO
Stillwater Central Railroad



May 5, 2003

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423-0001

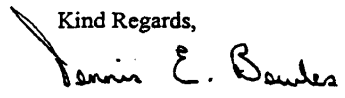
Re: Kansas City Southern – Control –The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company
(STB Finance Docket No. 34342)

Dear Mr. Williams:

This letter is in support of the proposed control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex"). Our company ships Steel Pipeline from Baton Rouge, Louisiana to various points within North America and Mexico via Kansas City Southern Railroad, Canadian National and the Union Pacific.

We support the transaction for KCS to control KCSR, Gateway Eastern, and Tex Mex. This end-to-end transaction will have no competitive harms. We believe this transaction will benefit Stupp Corporation by facilitating improved transit times for shipments and opening the potential for us to expand our markets. We believe this transaction will improve service through Houston and provide more consistent and reliable service between the Mid-West United States to the Mexican border. Finally, we believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

Kind Regards,

Handwritten signature of Dennis E. Bowles in cursive script.

Dennis E. Bowles
Stupp Logistics



STUPP CORPORATION

ISO 9001 CERTIFIED AND API 5L AND 5CT APPROVED
A DIVISION OF STUPP BROS., INC.
MANUFACTURER OF CUSTOM STEEL LINE PIPE
FOR THE OIL AND GAS INDUSTRY
12555 RONALDSON ROAD • BATON ROUGE, LA 70807
E-MAIL: stuppcorp@stupp.com
WEB SITE: www.stuppcorp.com
OFFICE: (225) 775-8800
FAX: (225) 775-7610

May 5, 2003

**Verified Statement of
Dennis E. Bowles
On behalf of
Stupp Corporation**

My name is Dennis Bowles. I am the Logistics Manager of Stupp Corporation, located at 12555 Ronaldson Road Baton Rouge, Louisiana. I have been employed in my present capacity for the past three years and I am directly responsible for the procurement and maintenance of efficient and reliable transportation service for Stupp Corporation. This verified statement is written in support of the Kansas City Southern's application to control the Kansas City Southern Railway Company ("KCSR"), Gateway Eastern Railway Company ("Gateway Eastern") and the Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board").

Stupp Corporation is a manufacturer of Steel Pipeline. We presently employ over two hundred employees at our Baton Rouge facility. Our estimated expenditures on freight exceed seven million dollars per year. Our estimated carloads are 3,500 per year. We presently ship steel pipeline and receive coil steel nationwide in North America including Canada and Mexico.

We understand that KCS is seeking authority to continue to control KCS's two railroads, KCSR and Gateway Eastern and gain control of Tex Mex. KCS and Tex Mex already operate as joint venture partners and we believe this step will strengthen rail competition and provide improve service and routing for shippers on KCSR and Tex Mex. The common control of KCSR and Tex Mex is an end-to-end combination that will have no adverse impacts. We believe this transaction should proceed as a minor transaction and conclude at the earliest possible time.

I, Dennis Bowles, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed this fifth day of May, 2003.

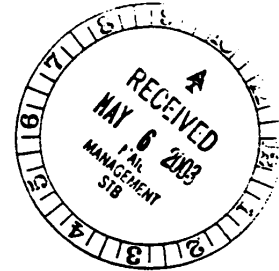
Stupp Corporation



Dennis E. Bowles
Logistics Manager

The Timber Rock Railroad

315 W. Third Street
Pittsburg, KS 66762
(620) 231-2230



Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

RE: Kansas City Southern--Control-- The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Rick Webb and I am the President of the Timber Rock Railroad, located in deep east Texas. The Timber Rock Railroad serves more than 30 customers and we have a very active interest in offering seamless transportation with the KCS to our mutual customers. For these reasons, the Timber Rock Railroad takes a serious and active interest in transportation matters that affect the region as we connect with the KCS and work actively with them to market to customers.

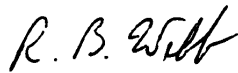
The Timber Rock Railroad supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. At the same time, the proposed transaction should ensure the continued viability and vitality of existing rail service for local industries and manufacturers located on our Shortline. The transaction will also will also promote a stronger competitor for the region and ultimately for NAFTA rail traffic and the Customers located on our Shortline.

The Timber Rock Railroad urges the Board to consider this transaction as a minor transaction and to approve the transaction at the earliest possible time.

I, Richard B. Webb, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed this 5th day of May, 2003.

Thank you for your consideration.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "R. B. Webb". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

RICHARD B. WEBB
President and CEO
Timber Rock Railroad

TOMAHAWK RAILWAY, LIMITED PARTNERSHIP

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Tomahawk Railway, Limited Partnership located at PO Box 789, Lake Park, GA 31636. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Tomahawk Railway, Limited Partnership supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Tomahawk Railway.

Tomahawk Railway, Limited Partnership urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Tomahawk Railway, Limited
Partnership
2605 Thomas Drive
Panama City Beach, FL 32408

VALDOSTA RAILWAY, L.P.

STB

21 / 13

5546696969

5-8-03: 4:50PM

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Valdosta Railway, L.P. located at PO Box 789, Lake Park, GA 31636. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Valdosta Railway, L.P. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Valdosta Railway.

Valdosta Railway, L.P. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Valdosta Railway, L.P.
2605 Thomas Drive
Panama City Beach, FL 32408

STB

14 / 21

96766545

5-8-03: 4:50PM

WESTERN KENTUCKY RAILWAY, L.L.C.

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company* (STB Finance Docket No. 34342)

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Western Kentucky Railway, L.L.C. located at 741 Dave Miller Road, Clay, KY 42404. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Western Kentucky Railway, L.L.C. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Western Kentucky Railway.

Western Kentucky Railway, L.L.C. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Western Kentucky Railway,
L.L.C.
2605 Thomas Drive
Panama City Beach, FL 32408

STB

15 21

5-8-03 4:50PM

5-8-03 4:50PM

WILMINGTON TERMINAL RAILROAD, L.P.

April 30, 2003

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company, Gateway Eastern Railway Company, And The Texas Mexican Railway Company (STB Finance Docket No. 34342)*

Dear Mr. Williams:

My name is Donald P. Connor. I am Vice Chairman of Rail Management Corporation, General Partner of Wilmington Terminal Railroad, L.P. located at 1717 Woodbine Street, Wilmington, NC 28401. I have been with Rail Management for 15 years, serving as Sr. Vice President, Vice-Chairman and Director.

The Wilmington Terminal Railroad, L.P. supports the control application of the Kansas City Southern ("KCS") to continue to control The Kansas City Southern Railway Company ("KCSR") and Gateway Eastern Railway Company ("Gateway Eastern") and gain control of The Texas Mexican Railway Company ("Tex Mex") filed at the Surface Transportation Board ("Board"). The lines of KCS and Tex Mex are a vital link for Texas based shippers and receivers. KCS and Tex Mex already operate as joint venture partners and this end-to-end transaction will not result in any competitive harm. The transaction will promote a stronger competitor for the region and ultimately for NAFTA rail traffic and benefit customers on our railroad to the extent KCS and their affiliated companies are involved with Wilmington Terminal Railroad.

Wilmington Terminal Railroad, L.P. urges the Board to consider this transaction as a minor transaction and approve the transaction at the earliest possible time.

I, Don Connor declare that I am qualified and authorized to file this verified statement. Executed this 30th day of April, 2003.

Donald P. Connor, Vice Chairman
Rail Management Corporation, General
Partner of Wilmington Terminal Railroad,
L.P.
2605 Thomas Drive
Panama City Beach, FL 32408

STB

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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 34342

KANSAS CITY SOUTHERN

- CONTROL -

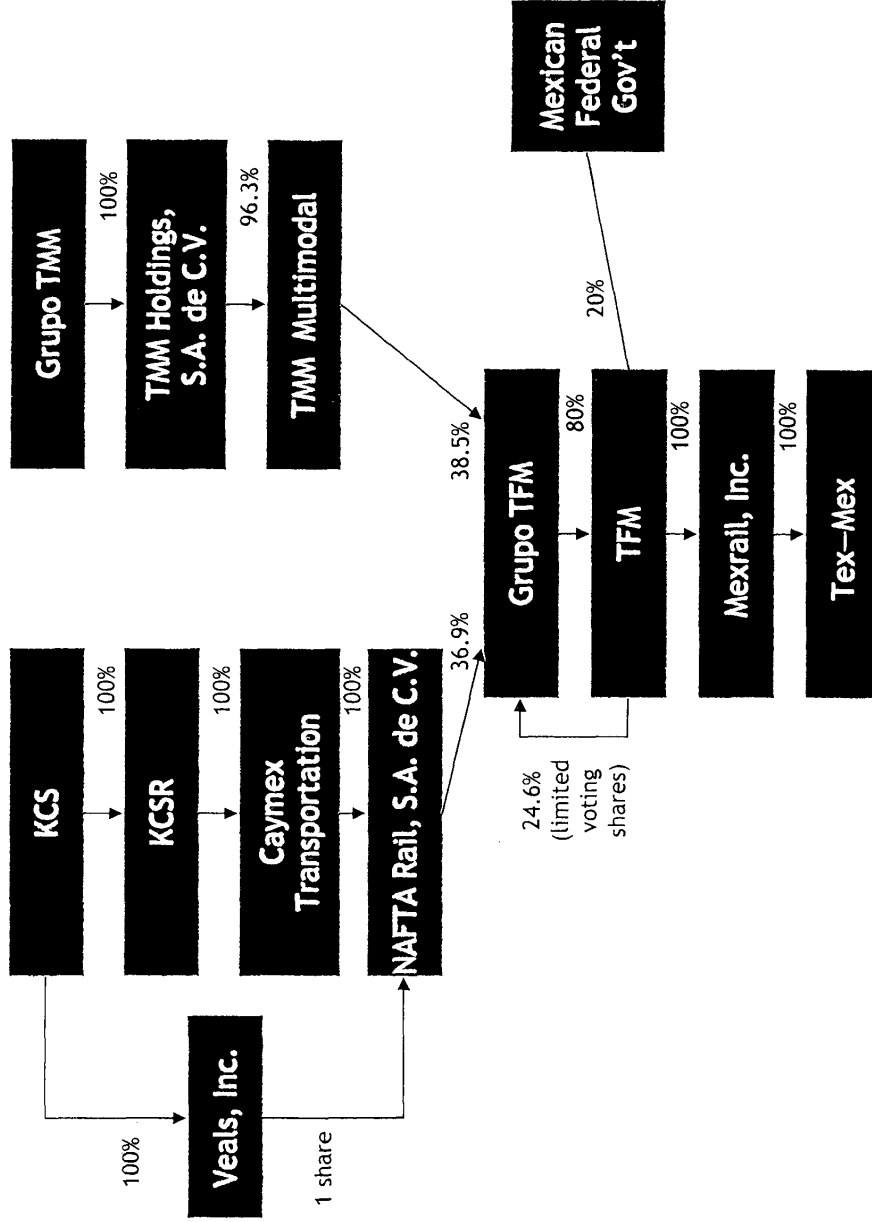
**THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY**

RAILROAD CONTROL APPLICATION

APPENDIX B

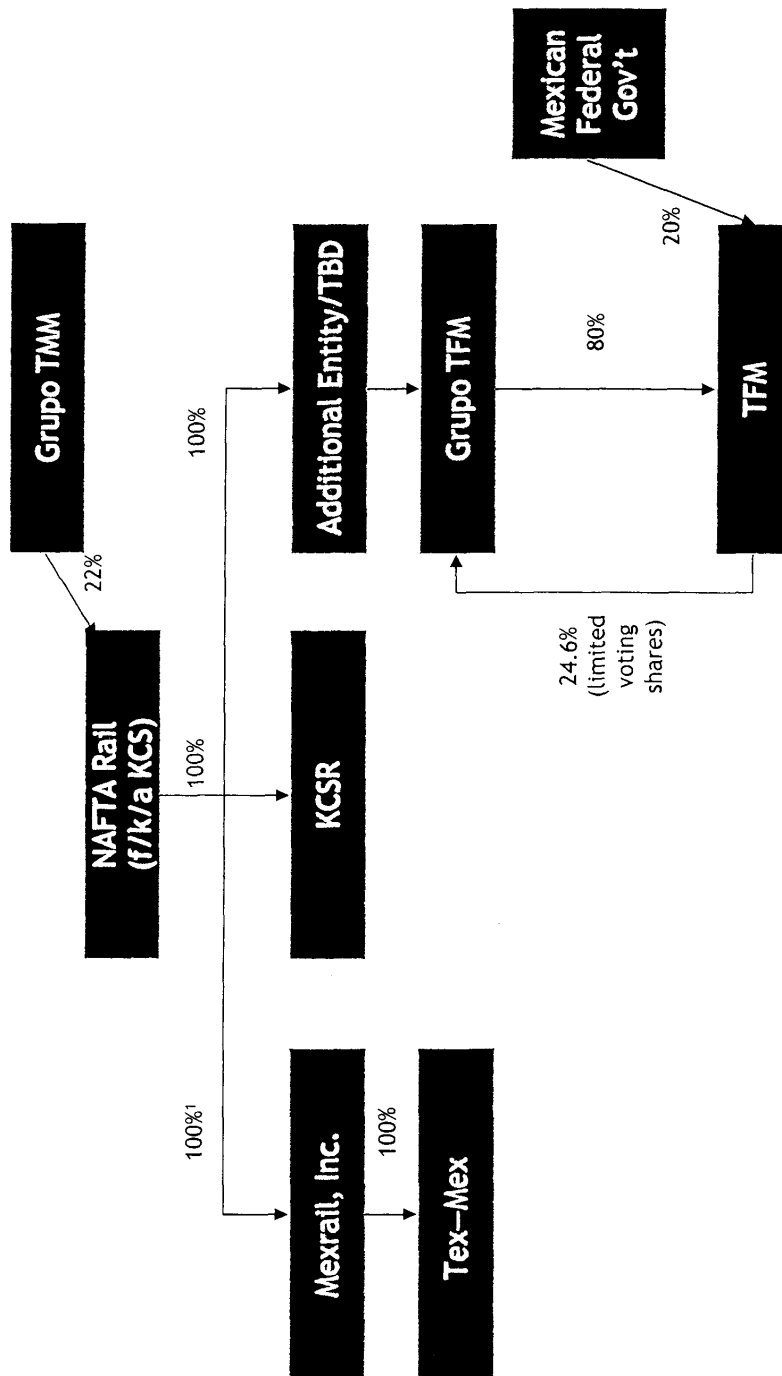
COLOR FIGURES

Existing structure



COLOR FIGURE 1

Proposed structure



¹ At first step, KCS will purchase 51%, but the Company has a call on the remaining 49%.

COLOR FIGURE 2

FOOTNOTES:

1. Gateway Western Railway between East St. Louis and Kansas City.
2. Traffic between Wots and Heavenier.
3. Traffic between Dalween and Shreveport (Deramus Yard).
4. Traffic between Shreveport and Honoroe.
5. Line sold year 2008. Only XES portion of traffic is shown.

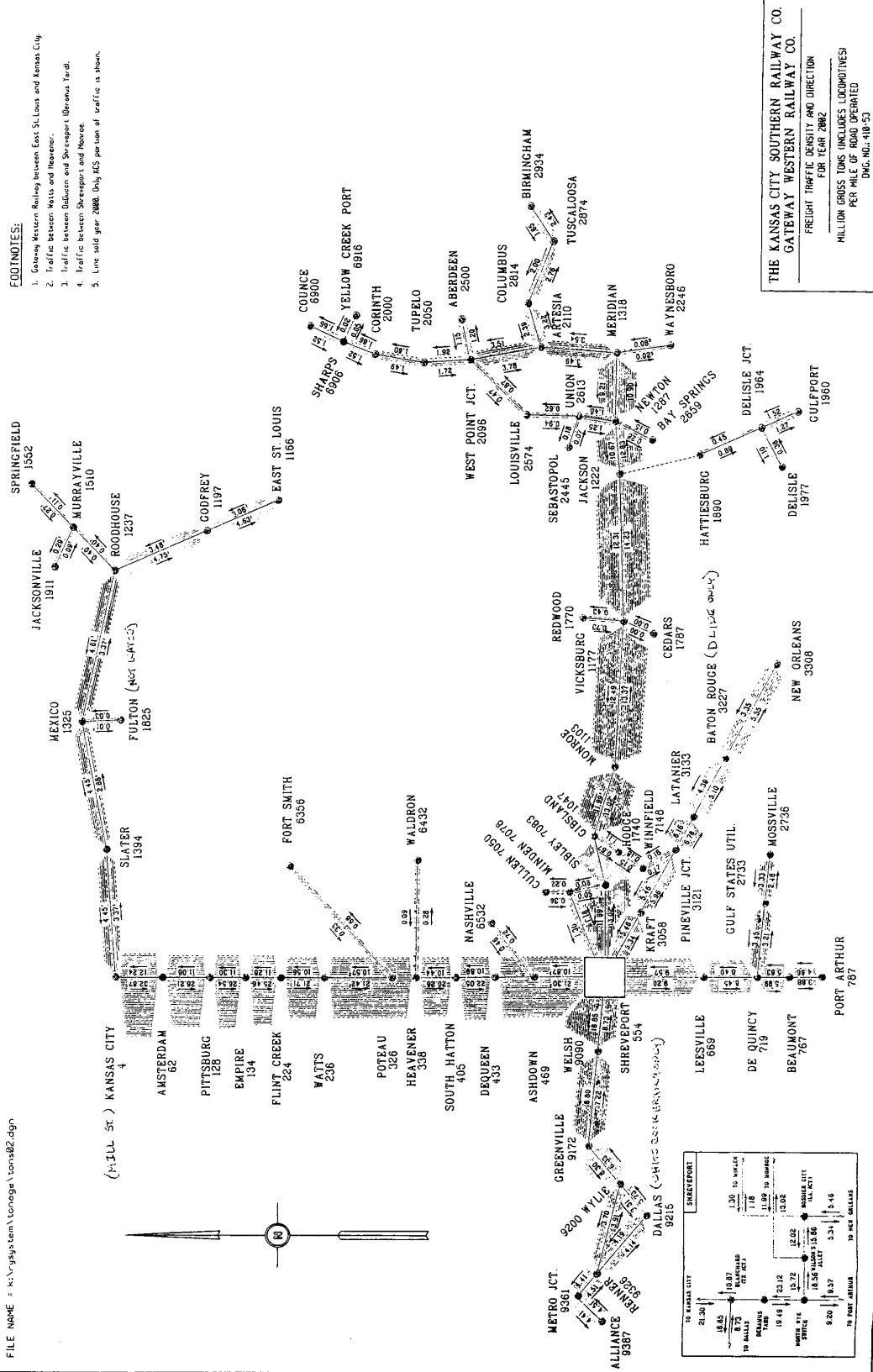
THE KANSAS CITY SOUTHERN RAILWAY CO.
GATEWAY WESTERN RAILWAY CO.

FREIGHT TRAFFIC DENSITY AND DIRECTION

POPULATION DENSITY AND DIRECTION
FOR YEAR 2002

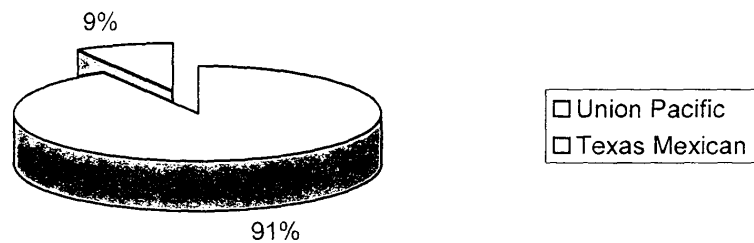
2007 M071 NO1

TONS (INCLUDES



COLOR FIGURE 3

**Figure 1, Laredo Northbound Traffic
2001 KCS Waybills and Carload Waybill Sample**



Reehie Associates

**Figure 2, Laredo Southbound Traffic
2001 KCS Waybills and Carload Waybill Sample**

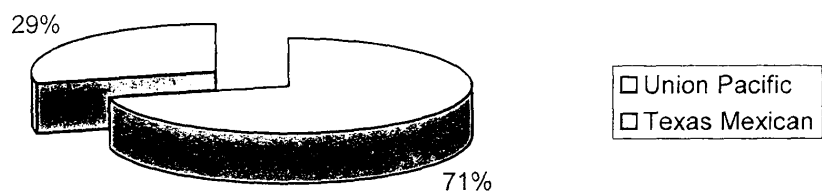
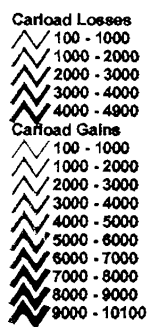
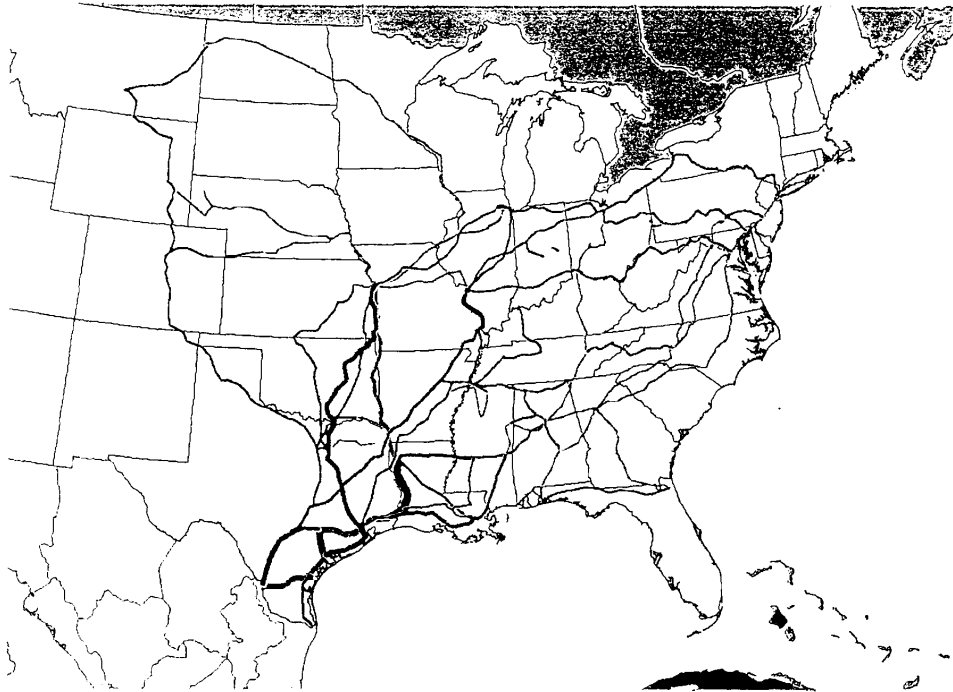


Figure 1
Diversion Changes
2001 Carloads



COLOR FIGURE 5

Fugar, Godwin N.

From: Mullins, Bill
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William (Bill) Mullins

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