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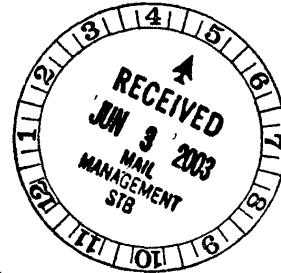
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June 3, 2003



BY HAND

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

ENTERED
Office of Proceedings

JUN 04 2003

Part of
Public Record

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:

Enclosed for filing in the above-referenced docket please find an original and 25 copies of the Reply of Canadian National Railway Company to Petition to Establish Procedural Schedule. This document is designated as CN-2.

I have also enclosed a diskette containing the text of this pleading in WordPerfect 6/7/8/9/10 format, as required by 49 C.F.R. § 1104.3(b).

Very truly yours,

Paul A. Cunningham

Enclosures

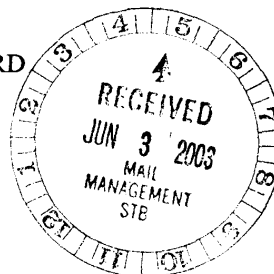
cc: All parties of record

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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

REPLY TO PETITION TO ESTABLISH PROCEDURAL SCHEDULE

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June 3, 2003

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

REPLY TO PETITION TO ESTABLISH PROCEDURAL SCHEDULE

Canadian National Railway Company ("CN") hereby replies to the Petition to Establish Procedural Schedule ("Petition") filed in this proceeding by Kansas City Southern ("KCS"), The Kansas City Southern Railway ("KCSR"), Gateway Eastern Railway Company ("Gateway"), and The Texas Mexican Railway Company ("Tex Mex") (collectively, "Applicants").

At this point in the proceeding, CN cannot ascertain whether the schedule proposed by Applicants will provide adequate time for the Board and for other parties to assess the potential impacts of the transaction that is the subject of Applicants' Railroad Control Application (KCS-3/TM-3) (the "Application"). Nor can CN ascertain whether that transaction is "minor" or "significant" or whether the pending Application meets the criteria for approval under 49 U.S.C. § 11324(d).

Accordingly, CN proposes that the Board adopt an initial procedural schedule that affords the non-applicant parties to this proceeding sufficient time to seek discovery regarding all relevant impacts of the Tex Mex transaction and to prepare and submit comments and

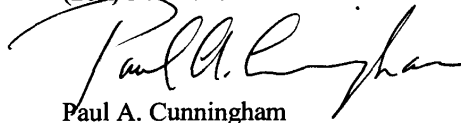
evidence on those impacts to the Board.

By proceeding in this way, the Board would ensure that no legitimate issues arising out of KCS's acquisition of Tex Mex would be given short shrift, while reserving for itself the flexibility to proceed expeditiously if that should turn out to be appropriate.¹

Respectfully submitted,

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June 3, 2003

¹ In this proceeding, it may be reasonable for the Board to proceed one step at a time. If it is evident, upon consideration of any comments, evidence, and argument relating to the Application, that the transaction proposed by Applicants does not in fact raise serious competitive concerns, then the Board may proceed to an appropriately swift resolution of this proceeding. On the other hand, if the evidence indicates otherwise, the Board could revisit the procedural schedule and handle the transaction under a lengthier schedule.

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing REPLY TO PETITION TO ESTABLISH PROCEDURAL SCHEDULE to be served by hand delivery by causing copies to be delivered by first-class mail or a more expeditious means of delivery to the following:

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