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July 25, 2003

VIA HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 711
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings

JUL 25 2003

Part of
Public Record

Re: Finance Docket No. 34342, Kansas City Southern/NAFTA Rail

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding please find an original and ten copies of correspondence from AK Steel that is being submitted in response to the Board's request for comments relating to the July 31, 2003 public hearing on Kansas City Southern's ("KCS") plans to acquire control of Texas Mexican Railway ("TexMex") and the Transportacion Ferrovaria Mexicana ("TFM").

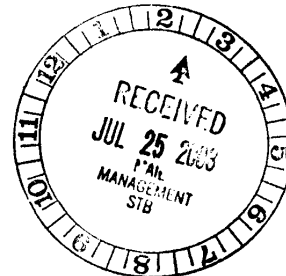
An additional copy of the filing is enclosed. Please indicate receipt and filing by time-stamping the additional copy and returning it to the bearer of this letter.

Thank you for your consideration in this matter.

Sincerely,


Frank J. Pergolizzi

FJP/jck
Enclosure
cc: Parties of Record



AK Steel Corporation
703 CURTIS STREET
MIDDLETOWN, OHIO 45043-0001

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

Re: Finance Docket No. 34342, Kansas City Southern/NAFTA Rail

Dear Secretary Williams:



This letter is being submitted in response to the Board's request for comments relating to the July 31, 2003 public hearing on Kansas City Southern's ("KCS") plans to acquire control of Texas Mexican Railway ("TexMex") and the Transportacion Ferrovaria Mexicana ("TFM"). As explained below, AK Steel does not oppose this transaction, provided that the Board assures that the approval of the transaction will not result in any service or competitive harms to our service.

AK Steel is engaged in the production of flat-rolled carbon, stainless and electrical steels for use in automotive, appliance construction and manufacturing markets. AK Steel employs approximately 11,500 men and women at major steel-working plants and offices in Indiana, Kentucky, Ohio and Pennsylvania. These plants include AK Steel's manufacturing facilities at Rockport, Indiana, Middletown Works and Zanesville, Ohio, and Butler, Pennsylvania. AK Steel relies on railroad transportation to deliver its steel products to end-users located throughout the United States and Mexico. This transportation includes AK Steel shipments of approximately 120,000 tons of rolled steel per year to Mexico.

Currently, AK Steel transports its products to Mexico pursuant to a rail transportation agreement under which CSX Transportation, Inc. ("CSXT") originates steel products from the Middletown Works and Rockport Plants and transports them to Salem, Illinois, where the steel is interchanged to the Union Pacific Railroad Company ("UP"). UP then transports the steel to Laredo, Texas, where it is interchanged with TFM at the International Bridge for final delivery to various manufacturing concerns in Mexico, including General Motors. AK Steel has several alternative routings that are available to move its product to the

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Mexican gateway, including routes that involve originations on the Norfolk Southern Railway ("NS"), and/or joint-line movements involving BNSF or KCS.

One of AK Steel's primary concerns in transporting steel products to Mexico is transit time. The transit time of these shipments is affected by a variety of factors, most notably including the amount of time taken to interchange with TFM at the International Bridge at Laredo. AK Steel is concerned that once the formation of the NAFTA Railway is completed, TFM will favor traffic that originates on its affiliated companies, i.e., KCS and TexMex, over interchange traffic received from UP or The Burlington Northern & Santa Fe Railway Company ("BNSF"). If such discriminatory practices occur, there would be a detrimental impact on cycle times, which in turn would greatly impact AK Steel's ability to obtain reliable and efficient transportation service into Mexico.

In addition, AK Steel is concerned that the formation of the NAFTA Railway could impact on the ability of competing carriers to provide service to Mexico on commercially reasonable terms. As noted above, AK Steel currently has a variety of alternative transportation routings that it can use to transport its products to Mexico. The combination of KCS/TexMex/TFM, however, presents an incentive for TFM to favor KCS/TexMex to the detriment of other carriers, like UP and BNSF, that connect with TFM at the Laredo Bridge. In so doing, TFM can exercise bottleneck control to assure that AK Steel's only transportation options will be those involving the NAFTA Railway. Such practices would greatly limit UP's and BNSF's ability to provide competitively priced service for AK Steel's transportation needs to the Mexican gateway.

At various times in this proceeding, KCS has represented that it would not "make any changes in the way the Laredo Bridge is dispatched and operated," and that it would "keep the Laredo gateway open on commercially reasonable terms." AK Steel believes that each of these commitments is critical to assuring that the creation of the NAFTA Railway does not harm AK Steel's ability to move its products into Mexico efficiently and at competitively priced transportation rates.

Accordingly, AK Steel hereby requests that the STB condition any approval of the KCS' acquisition of control of TexMex and TFM to protect shippers like AK Steel from potential discriminatory service and pricing practices relating to the Mexican gateway. AK Steel specifically requests that the Board

AK Steel Corporation

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impose conditions that assure that all carriers interchanging traffic at the Laredo bridge be treated fairly by TFM. In addition, AK Steel requests that the Board impose a condition that prevents TFM from exercising bottleneck control. There are currently three carriers that can be used to reach the Mexican gateway at Laredo. Any approval of the acquisition of control sought by KCS must assure that all of these carriers can continue to provide service at commercially reasonable terms.

Thank you for your consideration and attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "Gary L. Kidwell / gik". The signature is written in a cursive, flowing style.

Gary L. Kidwell

cc: All Parties of Record

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July 25, 2003
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VERIFICATION

I, GARY L. KIDWELL, 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 on July 24, 2003.

Gary L. Kidwell 7-24-03