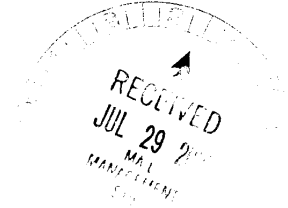


July 29, 2003

By Messenger

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



RE: Finance Docket No. 34342, *Kansas City Southern — Control — The Kansas City Southern Ry. Co., et al.*

Dear Mr. Williams:

By letter dated July 23, 2003, the Board had been notified that E. I. du Pont de Nemours and Company ("DuPont") would participate in the public hearing before the Board in the above proceeding on July 31, 2003. In Decision No. 5 (served on July 28, 2003), the Board granted DuPont's request for a time allocation of ten (10) minutes.

DuPont has now determined that it will be represented by Mr. E. C. Wright, Rail Transportation Procurement Manager. As we discussed with your office today, we are enclosing with this letter an original and 10 copies of Mr. Wright's prepared remarks that will be presented at the public hearing.

Respectfully submitted,

Frederic L. Wood
Attorney for E. I. du Pont de Nemours and Company

**ENTERED
Office of Proceedings**

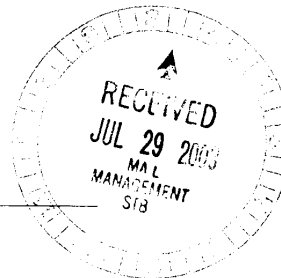
JUL 29 2003

**Part of
Public Record**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34342

KANSAS CITY SOUTHERN — CONTROL — THE KANSAS CITY SOUTHERN RY. CO. ET AL



PREPARED REMARKS

BY

E. I. DUPONT DE NEMOURS AND COMPANY

PUBLIC HEARING: JULY 31, 2003

**ENTERED
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JUL 29 2003
Part of
Public Record**

Mr. Chairman: Good morning. My name is Ned Wright and I am Rail Transportation Procurement Manager for DuPont.

DuPont welcomes the opportunity to participate in this public hearing and provide the Board with a non-legal perspective of Finance Docket No. 34342.

DuPont, as a Party of Record to this Application, will also provide the Board with separate, written, comments by not later than August 4th.

DuPont is a successful 200-year old, global, science company with 80,000 employees operating in more than 70 countries offering a wide range of products and service to markets including agriculture, nutrition, electronics, communications, safety and protection, home and construction, transportation and apparel.

Each year DuPont and its affiliates make more than 70,000 North American rail shipments representing over \$185 million in railroad freight revenue. Our private rail car fleet is in excess of 6,000 owned and leased cars.

With six manufacturing sites in Mexico and multiple Customer and Vendor locations, rail offerings to and from the Mexico-USA border play a critical role in many of our rail-dependent supply chains. DuPont rail shipments include both hazardous and non-hazardous commodities.

DuPont is keenly interested in the quality and quantity of competitive rail options to the border crossings. We believe the Kansas City Southern/Texas Mexican (KCS/TM) application represents a significant across-the-board improvement opportunity that will benefit the Applicants, the rail industry, and the public.

Our comments today will focus on only two aspects of this proposed transaction:

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- Safety-Health-Environmental Performance Improvement Opportunity
- Pro-Competitive Rail Offering Improvement Opportunity

Safety-Health-Environmental Performance Improvement Opportunity

For DuPont, safety is the first thing we think about every day.

One of the ways DuPont has responded to public concerns about the safe management of chemicals is through the American Chemistry Council's (ACC) Responsible Care® Program. This Program was launched in 1988. ACC members are publicly committed to the continuous improvement of the industry's health, safety, and environmental performance. The Program is built around progressive principles and flexible management practices. Its scope addresses practices from product design and development to distribution and disposal.

We look to our rail suppliers to share in a similar commitment to outstanding safety, health, and environmental performance. For DuPont, this carrier commitment is business-critical in that any failure on the part of carriers to achieve outstanding performance in these areas directly affects DuPont's "right to operate."

For DuPont, the best practice in this area is the Responsible Care® Partnership Program. All of the Class 1 railroads, including the KCS, are now Partner companies. DuPont believes Partner companies consistently differentiate themselves in significantly better safety-health-environmental performance versus non-Partner companies. The TM is not a Partner company.

DuPont is especially pleased that KCS has now made a commitment to integrate the TM into the KCS Responsible Care Partnership Program. This public commitment is reflected in a July 29 supplement to the Applicant's initial Safety Integration Plan.

DuPont believes that this Partnership commitment will result in a measurable and significant improvement in TM safety-health-environmental performance. TM, and the Customers and Communities that it serves, should see marked improvement in TM performance in each of the Partnership's Codes of Management Practices that include:

- Community Awareness
- Pollution Prevention
- Process Safety
- Distribution
- Employee Health and Safety
- Product Stewardship

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Based on the KCS Partnership experience, DuPont believes that this integration will likely result in a number of significant TM improvements including:

- Reduction in FRA reportable injuries
- Reduction in FRA reportable derailment expenses
- Reduction in grade-crossing injuries
- Increased emergency response drills
- Additional management resources
- Improved processes
- Enhanced security plans
- Stronger and more empowered safety culture

All of these TM improvements will be consistent with the mandate of the national Rail Transportation Policy "to promote a safe...rail transportation system."

The KCS/TM Responsible Care Partnership commitment will provide for a rail offering that is significantly stronger and sustainable in the areas of safety, health, and environmental performance.

Pro-Competitive Rail Offering Improvement Opportunity

The other aspect of the proposed transaction that DuPont would like to comment on today is the pro-competitive rail improvement opportunity that we believe the KCS/TM combination provides for the railroad industry, including its Customers.

DuPont strongly believes that robust rail-to-rail competition is a key component of the national Rail Transportation Policy.

It has been demonstrated time and again that rail competition drives carrier efficiencies and innovation. Rail competition consistently results in a significantly improved carrier offering and fuels growth. The lessons of competitive rail markets as diverse as Powder River coal and intermodal trailers and containers are clear: competition works. DuPont believes railroad and Customer benefits can be derived from robust competitive offerings across diverse rail markets; including a USA rail market that is defined by movements to and from the Mexican border.

DuPont believes KCS/TM will result in a stronger and more pro-competitive rail offering to and from the border.

DuPont believes that the end-to-end nature of the proposed transaction and the absence of any two-to-one locations, stations, points, and corridors are significant. Also significant is the KCS commitment to abide by all existing agreements governing operations over the Laredo Bridge and to keep the Laredo gateway open on commercially reasonable terms. DuPont believes that while the minimal, cross-border, market position currently enjoyed by KCS/TM at Laredo has the potential to grow, it will be subject to very keen

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competition. This competition will be in the form of alternative carriers (USA and Mexican), alternative Texas border crossings (Brownsville, Eagle Pass, El Paso), and alternative truck and marine options. DuPont believes competition to and from Laredo is not likely to be diminished by KCS/TM, but rather enhanced by the proposed transaction.

DuPont is also very encouraged that KCS believes common control will facilitate Federal Railroad Administration approval of the TM Railroad Rehabilitation and Improvement Financing loan. This loan will improve the existing TM infrastructure and provide service frequency and reliability enhancements.

Furthermore, DuPont believes the prospect of a KCS/TM offering that would restore service on the Victoria-Rosenberg line would also be pro-competitive. The Applicants expectation that this will be the next major capital project on the TM (after common control and resolution of ownership disputes) is notable. Restoration of this line will result in a KCS/TM offering that is more competitive based on greater KCS/TM operating control and a significant reduction in reliance on competitor trackage rights.

In conclusion, DuPont believes that KCS/TM have proposed a transaction that will result in a more efficient, effective, safe, and competitive offering.

DuPont believes approval of this minor transaction will benefit the rail industry and its Customers as well as the public. We encourage the Board to promptly consider and grant this Application.

Thank you.