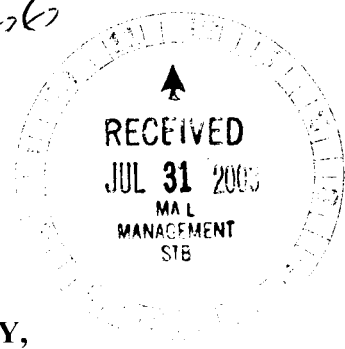


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STATEMENT OF RICHARD B. WEBB
IN SUPPORT OF THE
RAILROAD CONTROL APPLICATION
OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY,
GATEWAY EASTERN RAILWAY COMPANY,
and
THE TEXAS MEXICAN RAILWAY COMPANY

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 34342

Office of Proceedings
JUL 31 2003
Part of
Public Record

July 31, 2003

Good morning. My name is Rick Webb and I am the Chief Executive Officer of Watco Companies, Inc. I have served in that capacity since 1998. Watco Companies is a diversified rail services company that specializes in providing rail & mechanical services to Customers throughout the country and is the holding company of seven Shortline railroads in the United States. Two of our Shortline railroads, the South Kansas & Oklahoma (SKO) Railroad and the Timber Rock Railroad interchange with the Kansas City Southern (KCS) in Pittsburg, Kansas, and DeRidder, Louisiana, respectively.

Our company was founded shortly after the passage of the Staggers Act and we have just celebrated our 20th Anniversary. We have been able to grow and be successful by focusing on the needs of the individual customer and finding new or creative ways to meet their needs by partnering with our Class 1 connections. Watco's business model requires us to view the Customer that ships on our system as the most important with our connecting carriers such as the KCS, the Union Pacific (UP) and the Burlington Northern Santa Fe (BNSF) being viewed as secondary Customers or partners.

It is because of our Customers that I am here today to support the KCS control application for the Tex-Mex (TM) Railroad. I believe very strongly that the proposed

KCS – TM transaction will strengthen the franchises of both parties involved and will deliver value to numerous Customers on some of our Watco Railroads. Some of the benefits of the transaction include

- Solidify the financial condition of the Tex – Mex Railroad to insure efficient routings for Customers of the KCS and the BNSF are preserved and enhanced.
- Improving the infrastructure on the Tex – Mex to improve the safety and timeliness of Customer shipments.
- Increase Customer shipments by giving Customers access to larger and commonly managed locomotive and railcar pools. Our Customers rely a great deal on our connecting carriers providing cars for their shipments. It has been estimated that the size of the KCS available fleet will almost double after the transaction.
- Improve the coordination of Customer shipments on the KCS – TM through greater access to shipment information by implementing the MCS system on the KCS and the Tex Mex.
- Provide all the improvements listed, plus others, while enhancing competition among rail, truck and barge transportation providers all for the benefit of our Customers.

Our relationship with the KCS, like all of our Class 1 connections, has been outstanding and growing. Over the past four years the SKO Railroad's business has grown by almost 7% per year, while the SKO's business volume with the KCS has increased by more than 165%. Most of the increased business between the SKO and the KCS has come at the expense of the trucks, with a small portion coming from other rail carriers. This success is due to the KCS's desire to provide competitive rates and service plans for our Customers and the KCS's willingness to open new rail markets to our Customers. By approving the KCS – TM control application I feel additional rail markets will be made more competitive for our SKO Customers.

The specific benefits for Customers on the SKO Railroad once the KCS – TM transaction is approved are exciting. Two of our important Customers are here to testify today to

state their own views of how this transaction will be of benefit. The primary commodities that will benefit the most are grain and grain products, specifically wheat, soybeans and milo.

We have been successful in working with the KCS to move grain and grain products off the SKO at competitive rates for our Customers to the Gulf. The majority of our recent increase in business with the KCS has come in this area. By coordinating the operations of the KCS – TM the proposed combination should provide similar competitive rates to the Laredo gateway. It has been estimated that the SKO could move 900 additional rail cars annually to the Laredo gateway that are currently being trucked to other markets.

Another important reason to approve the KCS – TM transaction is because it has no anticompetitive effects. With this end to end merger no Customer will lose any existing competitive options upon approval. While one might argue that with the additional acquisition of the TFM, S.A. de C.V. (TFM), the KCS – TM transaction could create an incentive for the TFM to unreasonably favor KCS – TM – TFM traffic over the BNSF's and the UP's traffic, I believe it is highly unlikely and improbable that the newly formed Nafta Rail will allow that to occur.

As I stated earlier, our company must treat our connecting carriers as Customers and partners, because our shipping Customers demand that we provide services in conjunction with them. Just as in any business, we have partnership issues that confront us which if handled improperly could put our Company's future in jeopardy. Out of economic, financial and Customer service necessity we must do whatever we can to foster a healthy relationship with our connecting carriers. We must also compete vigorously with our Class I carriers to improve our Customers' satisfaction with our services and our Company's long-term profitability and return on investment. The KCS with both the KCS – TM, and KCS – TFM transactions must do the same. The KCS has more of an economic and financial need to work with the UP and the BNSF than any restriction or requirement placed on it by the Surface Transportation Board would create.

The importance of keeping the International Bridge at Laredo open to all connecting carriers on commercially reasonable terms is clear. I strongly support that concept and the way the KCS has addressed that in its application. KCS has stated it will honor the private agreements that have been in place for over 50 years and that it will not make any changes in the way the Laredo Bridge is dispatched and operated. I applaud the Board for not getting involved in private contracts that have been negotiated in good faith between parties that will not harm the public good and urge the Board to continue that policy.

In summary, I come before you today, Mr. Chairman, to urge the Board to approve the transaction in the most expeditious manner possible.