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September 11, 2003

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

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Office of Proceedings

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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:

Pursuant to Decision No. 7, the Board has given the public an opportunity to comment on the Trustee's request for "authority, direction or guidance as the Board deems appropriate" with respect to TFM, S.A. de C.V.'s ("TFM") proposed repurchase of the 51% interest in Mexrail that Kansas City Southern ("KCS") acquired and placed in a voting trust. KCS understands the Board's desire to ensure that the public interest is not harmed by the transfer of the shares out of the voting trust and back to TFM and therefore appreciates the opportunity to provide comment.

In this case, KCS has purchased 51% of the shares of Mexrail and has placed those shares into an independent voting trust, which KCS established pursuant to the guidelines provided at 49 C.F.R. § 1013 (the "Voting Trust"). Those Mexrail shares represent the controlling interest of The Texas Mexican Railway Company ("Tex Mex"), which is a Class II carrier subject to the Board's jurisdiction. KCS has applied for authority from this Board to dissolve that Voting Trust and take control of the shares and thereby control Tex Mex. KCS desires for that proceeding to continue and for the Board to render a decision on its Application.

Notwithstanding the prior purchase by KCS and the pending control transaction, TFM has given notice that it is exercising a right contained within the Mexrail Stock Purchase Agreement ("SPA") to repurchase the Mexrail shares. In turn, KCS has given irrevocable directions to the Trustee to carry out the terms of the SPA. Because TFM's ability to reacquire the shares is "subject to any STB approval requirements" and is "subject to STB orders and directions," the Trustee has sought approval, guidance, or direction from the STB.

As an initial matter, KCS agrees that once a voting trust has been established and the controlling interest of a railroad subject to the Board's jurisdiction has been deposited into that

trust, precedent grants the Board the authority to approve (or even reject) a plan of divestiture or sale of that interest out of the voting trust. See Santa Fe Southern Pacific Corp. – Control – SPT Co., 2 I.C.C.2d 709, 834 (1986). According to that precedent, the test for whether or not the shares should be transferred back to TFM is whether the transfer would be “wholly consistent with the public interest.” The Board thus has the responsibility to review that issue, take public comment on that issue, and develop a record on whether or not the divestiture plan contained within the Mexrail SPA would meet the public interest test. If the Board determines that the divestiture of the shares to TFM would not be in the public interest, it could reject the proposed plan of divestiture. If the Board determines that the repurchase plan is consistent with the public interest, then KCS will take actions necessary to ensure that the repurchase occurs in accordance with the terms of the Mexrail SPA.

As previously stated publicly in its Application, its subsequent filings, and at the STB’s oral hearing, KCS believes that the public interest would be best served by the consummation of KCS’s plan to acquire control of Tex Mex, however that objective is achieved. As noted in the Application and the Safety Integration Plan (“SIP”), KCS and Grupo TMM, S.A. (“TMM”), KCS’s Mexican joint venture partner and the holder of the controlling voting interest over TFM, have cooperated for years to improve the financial status and operations of Tex Mex and provide a competitive alternative for Laredo gateway shippers. Due to that cooperation, The Kansas City Southern Railway Company (“KCSR”) today provides a number of services to Tex Mex, from car supply management to operational management to training and advice. Most recently, crew calling, dispatching and customer support for both railways was consolidated at KCSR’s System Transportation Center in Shreveport, Louisiana. Further, since Mexrail has been in trust, KCS has initiated a program to upgrade Tex Mex’s mainline and sidings, a plan that is approximately one-third complete.

If common control is eventually achieved, KCS believes that even further progress toward improving the safety, efficiency, and infrastructure of Tex Mex can and will occur. As the Board knows, KCS has agreed with DuPont and the American Chemistry Council to strive to make Tex Mex a Responsible Care Member by the end of 2004. KCS has agreed with National Industrial Transportation League to adopt service measurements and monitoring, and KCS, working with the Federal Railroad Administration, has developed an action plan to improve worker safety and training. In short, as set forth in the Application, the Supplement, and the SIP, KCS control of Tex Mex is in the public interest, regardless of whether KCS also is successful in acquiring control of TFM.

Nonetheless, it may be that the means of taking control of Mexrail and Tex Mex is ultimately through KCS’s acquisition of control of TFM. If the Board finds that the divestiture plan as contained in the Mexrail SPA is consistent with the public interest, the Mexrail shares will be transferred out of the Voting Trust and back to TFM. TFM will again become the 100% owner of Mexrail and thereby control Tex Mex. Such an action has numerous consequences, but in and of itself it does not prevent KCS from ultimately taking control of Tex Mex because KCS has an agreement with TMM whereby TMM has committed itself to sell its controlling stake in TFM to KCS. Although TMM disputes the continued validity of that agreement, KCS believes the agreement remains valid and enforceable and is pursuing all legal means to cause TMM to

The Honorable Vernon A. Williams
September 11, 2003
Page No. 3

comply with that agreement. If successful, KCS would obtain control of Mexrail and Tex Mex through its purchase of TFM.

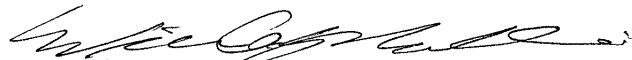
It is still KCS's objective to obtain control of Mexrail and Tex Mex and implement its plans with respect to integrating Tex Mex and improving its infrastructure. Obviously, however, TFM's repurchase of the Mexrail shares will change both the timing and the ability of KCS to move forward with the various plans for further improvements in Tex Mex's infrastructure and operational efficiencies. If KCS cannot obtain control of Tex Mex, many of these plans may remain unfulfilled.

In summary, KCS believes that its acquisition of control of Tex Mex is in the public interest and that the Board should proceed with its review of the KCS/Tex Mex control application and approve it. If it can, KCS intends to achieve control of Mexrail and Tex Mex. KCS intends to work in good faith with TMM and TFM to achieve that objective.

I am enclosing an original and twenty-six (26) copies of this letter for the Board's files. By my signature below, I certify that a copy of this letter has been mailed by first-class mail, postage prepaid, to all parties of record identified on the Board's service list issued July 18, 2003, as amended by subsequent Board notice.

Please date-stamp the twenty-sixth copy of this letter and return it to the courier for our files.

Sincerely,



William A. Mullins

cc: Parties of Record