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May 28, 2004

211132

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

ENTERED
Office of Proceedings

JUN -1 2004

Part of
Public Record

**RE: Kaw River Railroad, Inc.--Lease Exemption--
The Kansas City Southern Railway Company
Finance Docket No. 34509**

Dear Secretary Williams:

Enclosed please find an original and eleven copies of the Reply of The Kansas City Southern Railway Company to Petition for Stay, filed on behalf of The Kansas City Southern Railway Company ("KCS") in the above captioned proceeding.

Please acknowledge receipt of this filing by date stamping the eleventh copy of the filing and returning it to the individual making this filing to return to me. A copy of this filing has been served today on all parties of record by hand delivery.

Please feel free to contact me if you have any questions.

Sincerely yours,

David C. Reeves

Enclosures

cc: All parties of record

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34509

**KAW RIVER RAILROAD, INC.
-LEASE EXEMPTION-
THE KANSAS CITY SOUTHERN RAILWAY COMPANY**

**REPLY OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY
TO PETITION FOR STAY**



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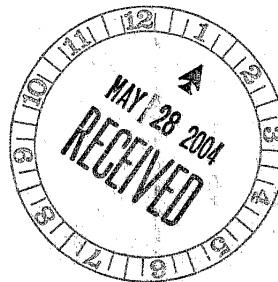
Attorneys for The Kansas City Southern
Railway Company

Dated: May 28, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34509

KAW RIVER RAILROAD, INC.
--LEASE EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY



REPLY OF THE KANSAS CITY SOUTHERN RAILWAY COMPANY
TO PETITION FOR STAY

The Kansas City Southern Railway Company ("KCS") hereby replies in opposition to the Petition For Stay ("Petition") filed by the Brotherhood of Locomotive Engineers & Trainmen, a Division of the Rail Conference, International Brotherhood of Teamsters ("BLET") on May 27, 2004. KCS is the lessor of the lines involved in this proceeding. KCS's reply is limited to addressing BLET's erroneous accusation that the proposed transaction violates KCS's labor agreements.

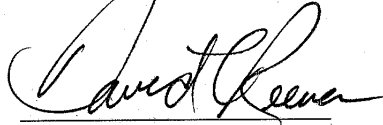
The currently-effective BLET national labor agreement specifically authorizes KCS to go forward with this type of transaction without the bargaining that BLET incorrectly claims is required. Section 3 of Article VII of the May 31, 1996 BLET national agreement states the following:

In the case of any transaction authorized under 49 U.S.C. §10901 (or any successor provision), *the arrangements provided for under this Article shall be deemed to fulfill all of the parties' bargaining obligations that may exist under any applicable statute*, agreement or other authority with respect to such transaction, and shall also be deemed to satisfy the standards for the protection of the interests of employees who may be affected by such a transaction described in 49 U.S.C. 10901(e). (Emphasis added.)

As shown by Kaw River Railroad, Inc.'s Reply to Petition for Stay filed this morning with the Board, the proposed transaction does not merely involve switching and is a transaction that is subject to Section 10901. Therefore, under the foregoing provision of the currently effective BLET national agreement, KCS is fully within its rights to proceed with the transaction without separate bargaining, and proceeding with the transaction is not a change in or a violation of the BLET contract, as BLET alleges. Therefore, BLET's claims of irreparable injury supporting its stay request are *not* correct.

Furthermore, KCS does *not* anticipate that *any* KCS employees will lose their jobs as a result of this transaction.

Respectfully submitted,



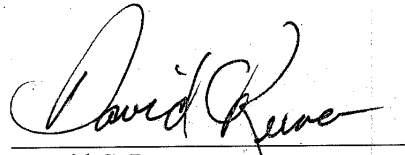
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Attorneys for The Kansas City Southern
Railway Company

Dated: May 28, 2004

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of May, 2004, I have caused a copy of the foregoing Reply of The Kansas City Southern Railway Company to the Petition For Stay to be served on counsel for the Brotherhood of Locomotive Engineers & Trainmen, a Division of the Rail Conference, International Brotherhood of Teamsters and counsel for KAW River Railroad, Inc., via hand delivery.


David C. Reeves