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COMPANIES, INC.
"Your Transportation Specialists"

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

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:

My name is Rick Webb, and I am the Chief Executive Officer of Watco Companies, Inc. ("Watco"). In letters of support filed on behalf of four of Watco's shortline railroad subsidiaries and in a statement and oral testimony before the Surface Transportation Board ("STB" or "Board") at its July 31, 2003 hearing, I have emphasized Watco's support of Kansas City Southern's ("KCS's") application for authority to control The Texas Mexican Railway Company ("Tex Mex"). I write here to reiterate that support.

As I previously told the Board, two of Watco's larger shortline railroads – South Kansas & Oklahoma Railroad and the Timber Rock Railroad – connect directly with The Kansas City Southern Railway Company ("KCSR"). In our working relationship with KCSR, we have found them to be innovative and willing to work with us to open new rail markets to our customers. I see KCS's proposed control of Tex Mex as offering that same type of potential to many more shippers.

Although the agreement under which KCS recently acquired the stock of Tex Mex's parent Mexrail is slightly different than the earlier agreement for that acquisition, nothing about those changes alters the fundamental pro-competitive nature of the KCS proposal or our previous opinion that this transaction should be approved without conditions. The transaction will simply not result in a reduction in competition. The transaction is end-to-end in nature and no shipper will lose its competitive routing options. In fact, at this stage, the only parties who appear to object to the transaction are KCS's competitors, not shippers. In that light, it is important to note that the nation's largest shipper trade association, The National Industrial Transportation League, supports the transaction and believes that its agreement with KCS resolves any concerns that shippers may have had regarding the Tex Mex and TFM transactions.

Furthermore, I don't share the concerns of Union Pacific ("UP") and Burlington Northern Santa Fe ("BNSF"), carriers with which we have excellent relations. UP and BNSF have significant competitive advantages over KCS and Tex Mex and provide a significant amount of traffic to both Tex Mex and TFM. It would simply not be in KCS's economic interest to use its control of the International Bridge at Laredo to discriminate against UP or to stop interchanging with BNSF at Robstown. From our dealings with KCS and KCSR, Watco has found KCS and KCSR to be focused on offering more competitive alternatives, not fewer. In that vein, I can't see any way that KCS will use its control of Tex Mex to reduce shipper's competitive options.

In fact, far from seeing a reduction in competition, I see KCS's control of Tex Mex as offering enhanced benefits for both Tex Mex and shippers. Central to that view is that KCS's control of Tex Mex will provide financial soundness and will facilitate improvement of the Tex Mex infrastructure. In addition, increased coordination in marketing and operations between KCSR and Tex Mex will allow improved service quality and more service opportunities for customers of KCSR and Tex Mex, including Watco. The decision by KCS and Tex Mex this past spring to license and implement KCS's Management Control System on Tex Mex to improve efficiency, an action which went smoothly and without service disruptions, is just one example of the type of innovations that KCS can and will implement for the benefit of customers. Our experience as a shortline operator has been that KCS looks for such new opportunities to provide service to customers, and I am confident that approach will continue with the control of Tex Mex.

KCS's proposed control of Tex Mex will not harm competition, but will, I am confident, enhance competition. I therefore again urge the Board to grant the KCS application for authority to control Tex Mex without any of the regulatory impediments to competition and efficiency previously urged by some other commenting parties.

Sincerely,



Richard B. Webb
CEO, Watco Companies, Inc.

cc: All Parties of Record