



Surface Transportation Board Hearing Rail Capacity and Infrastructure Requirements

STB Ex Parte 671



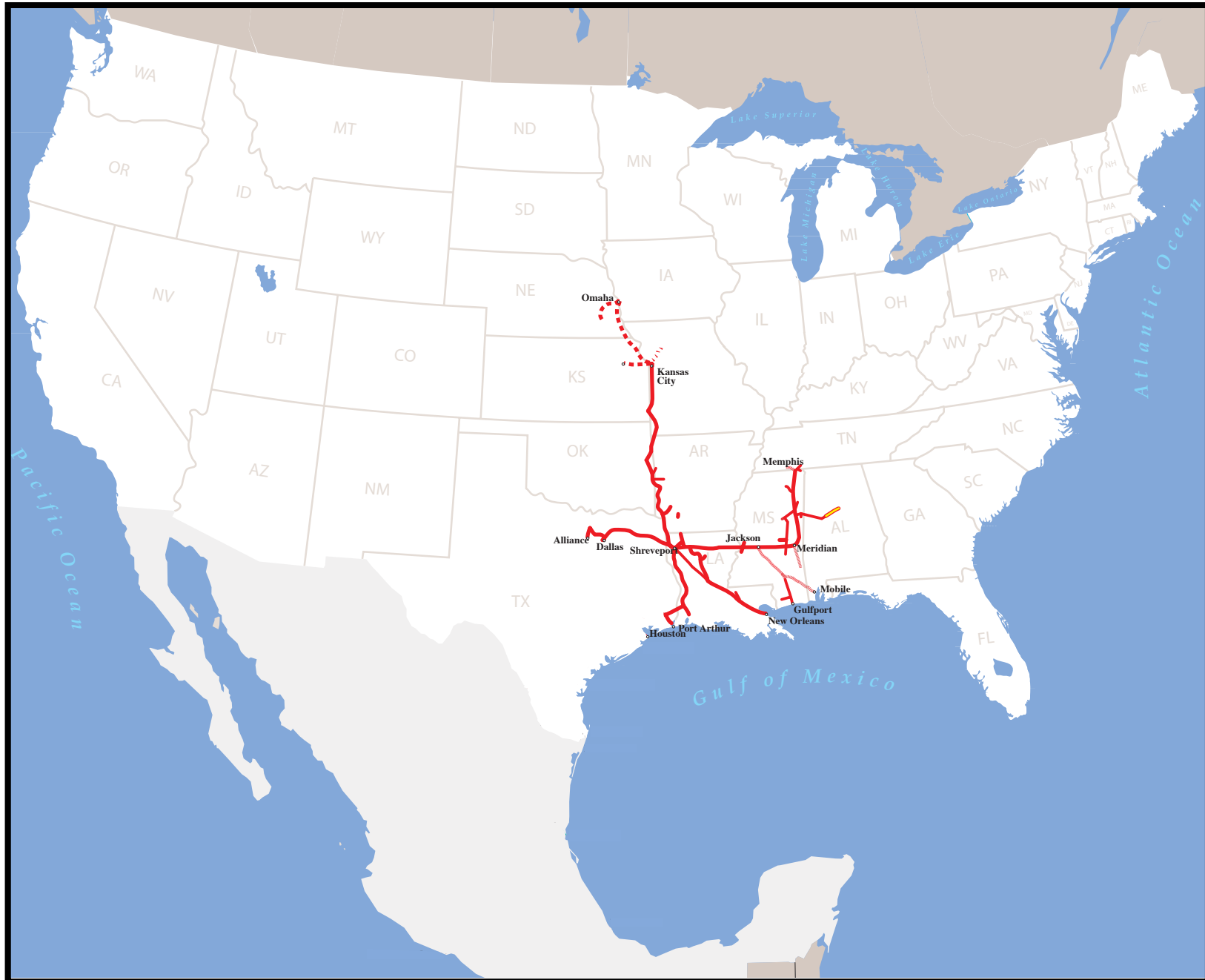
Michael R. Haverty



April 11, 2007



KCS System in 1995





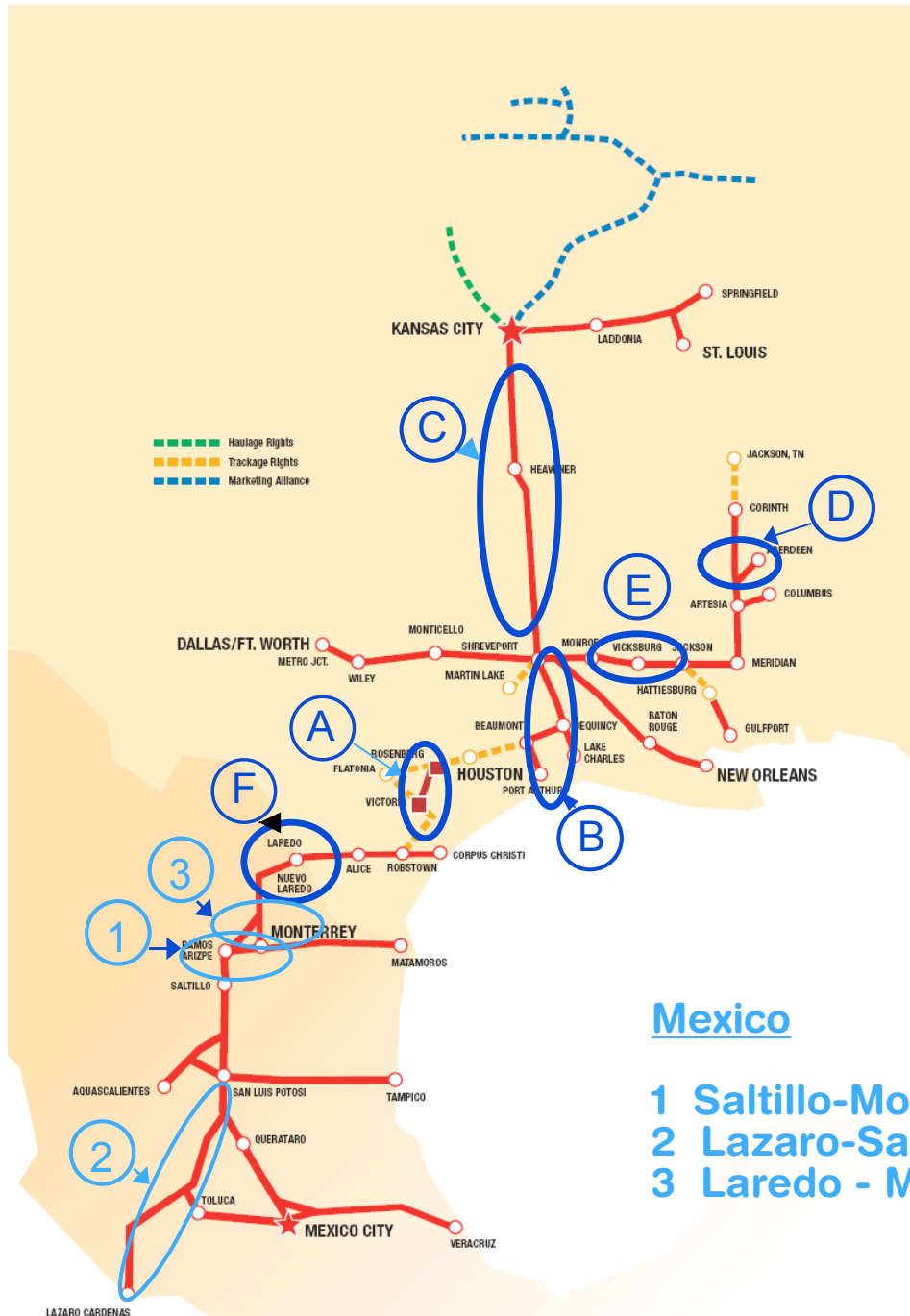
KCS' 2007 North American Rail Franchise



Planned Line Capacity Expansion 2007-2010

U.S.

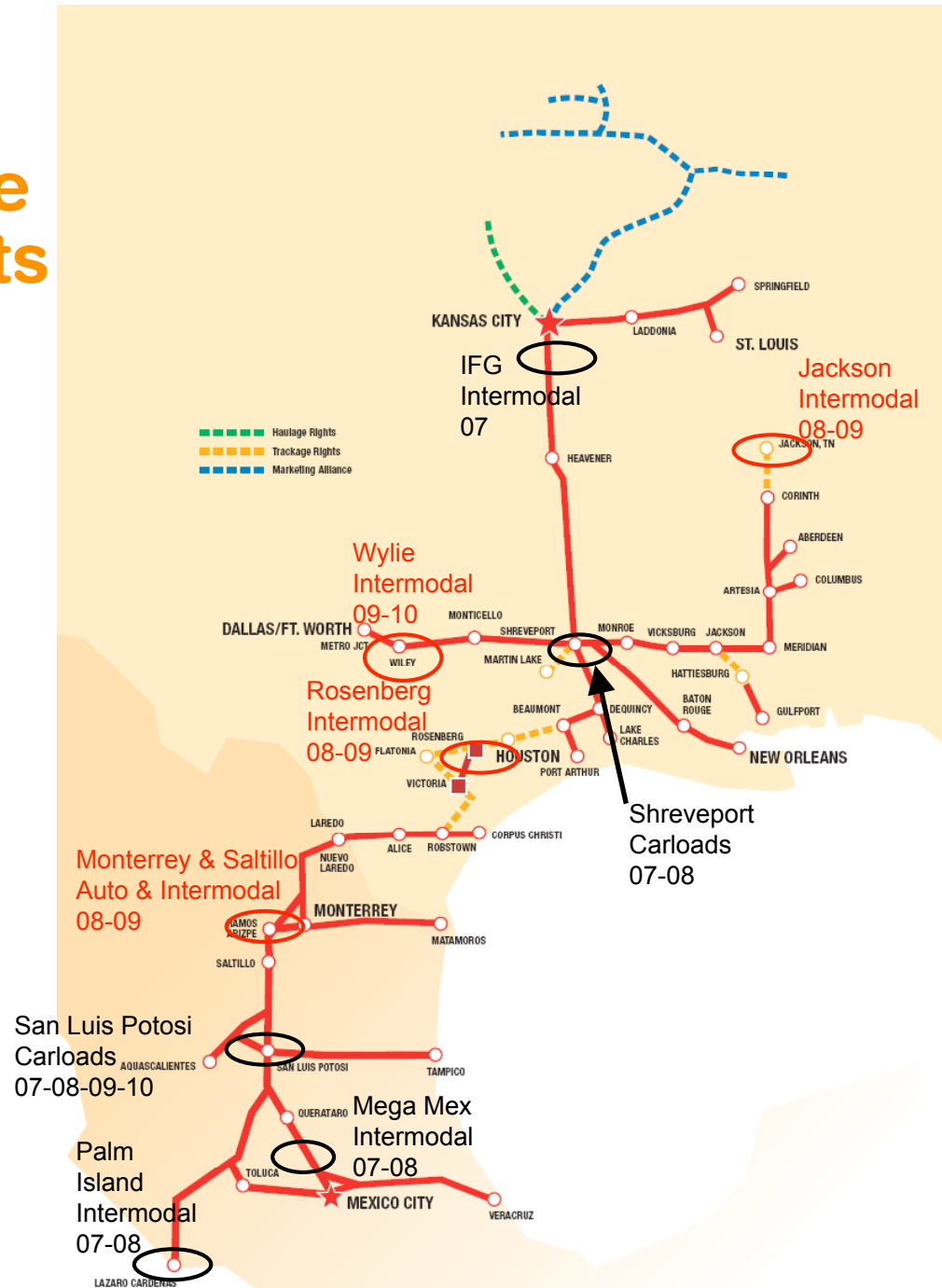
- A Rosenberg-Victoria
- B Shreveport-Beaumont
- C KC Utility Plants
- D Meridian to Corinth
- E Meridian Speedway
- F Laredo-Nuevo Laredo



Mexico

- 1 Saltillo-Monterrey
- 2 Lazaro-San Luis Potosi
- 3 Laredo - Monterrey

Planned Terminal Infrastructure Improvements 2007-2010





KCS Capital Investment to Improve Service

- **Increase Locomotive Availability & Reliability**
 - 60 locomotives in 2006
 - 150 more in 2007
 - 60 more planned for 2008
 - Additional locomotives for new business growth 2008-2011

KCS Capital Expense Summary:

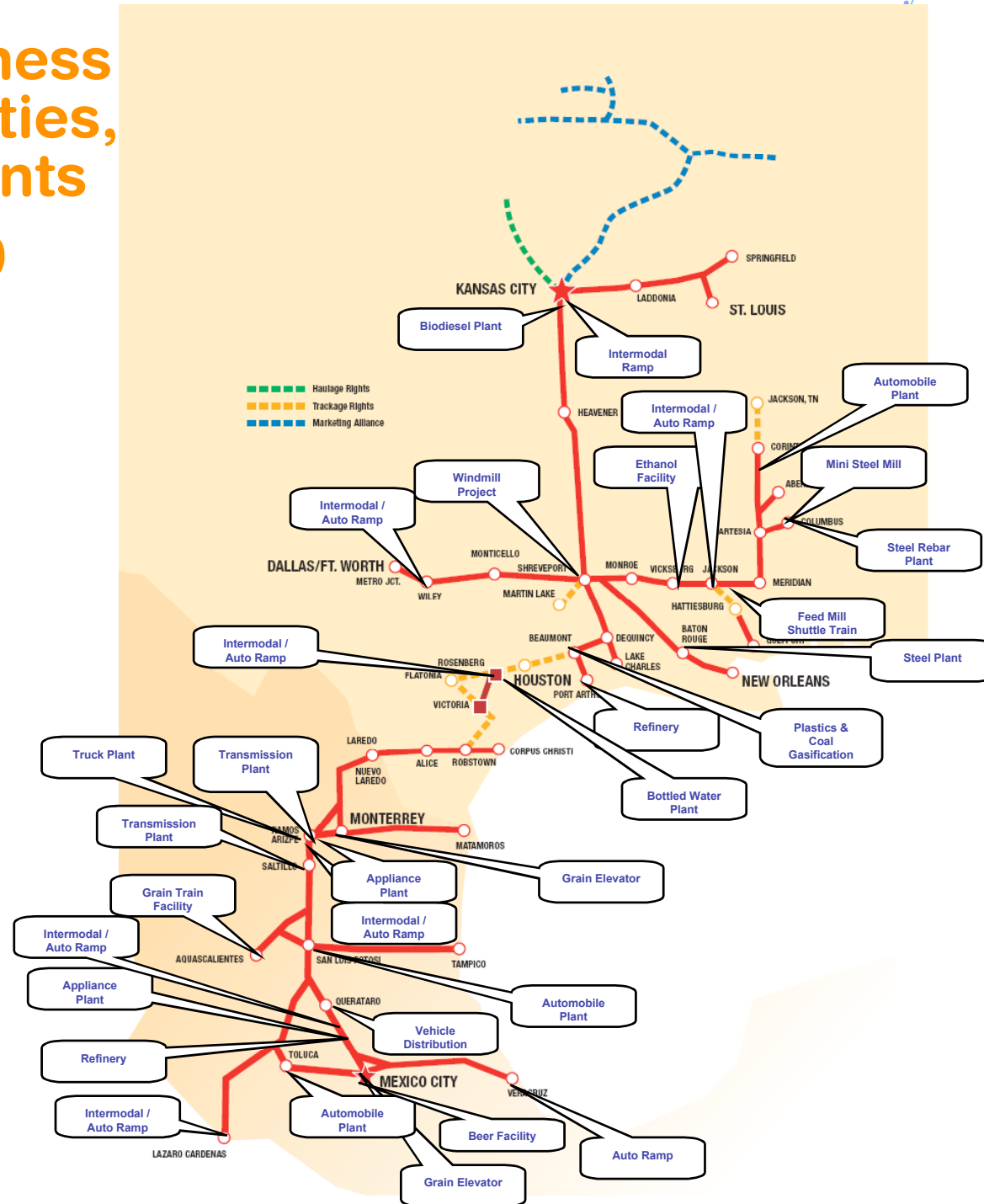
- **\$270 million Budgeted for 2007**
 - Plus Meridian Speedway Joint Venture (\$125 million)
 - Plus Lease cost of new locomotives (over \$300 million)



Growth Corridors 2007-2010



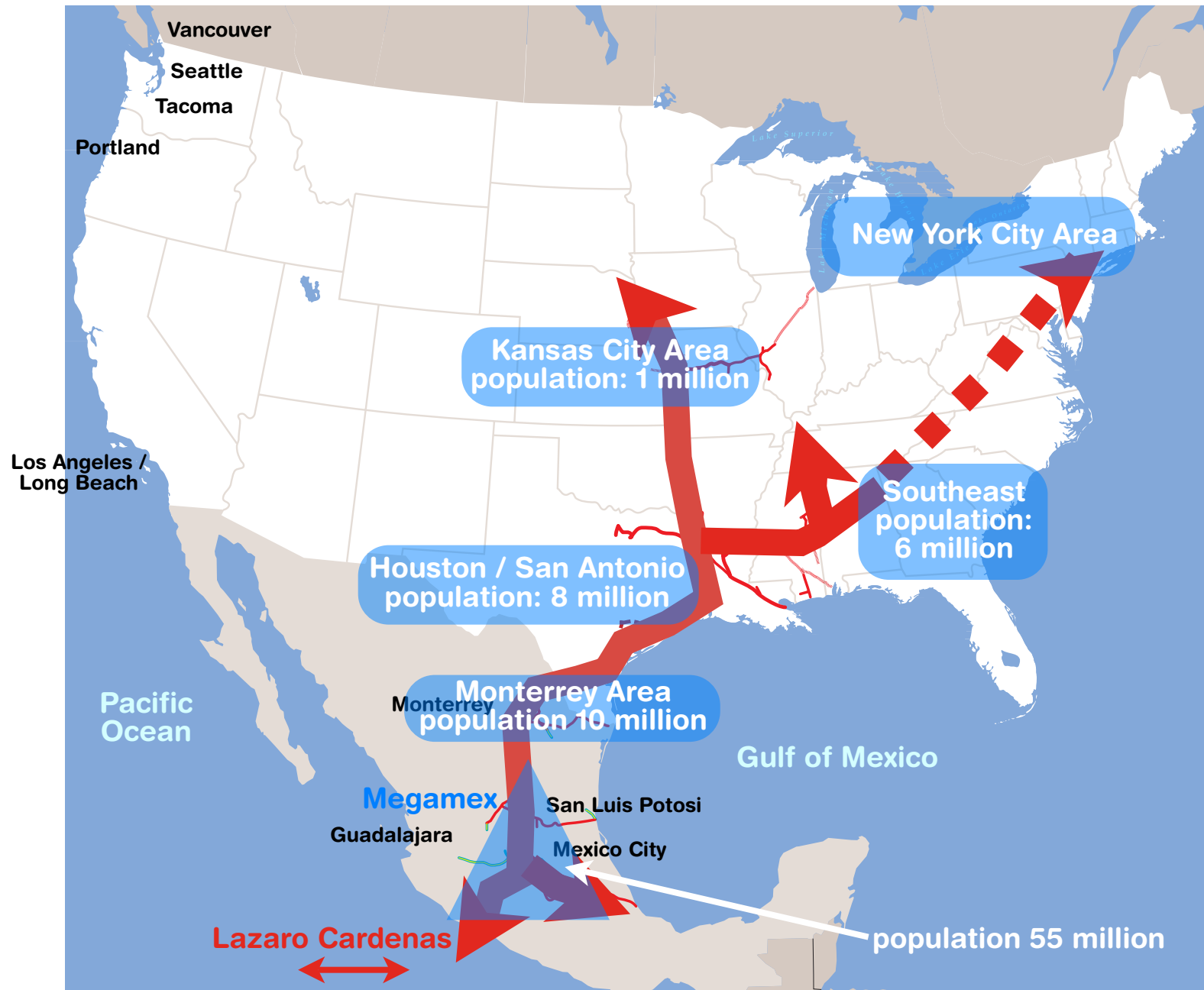
New Business Opportunities, All Segments 2007-2010



A Few of the Advantages of Rail over Trucks

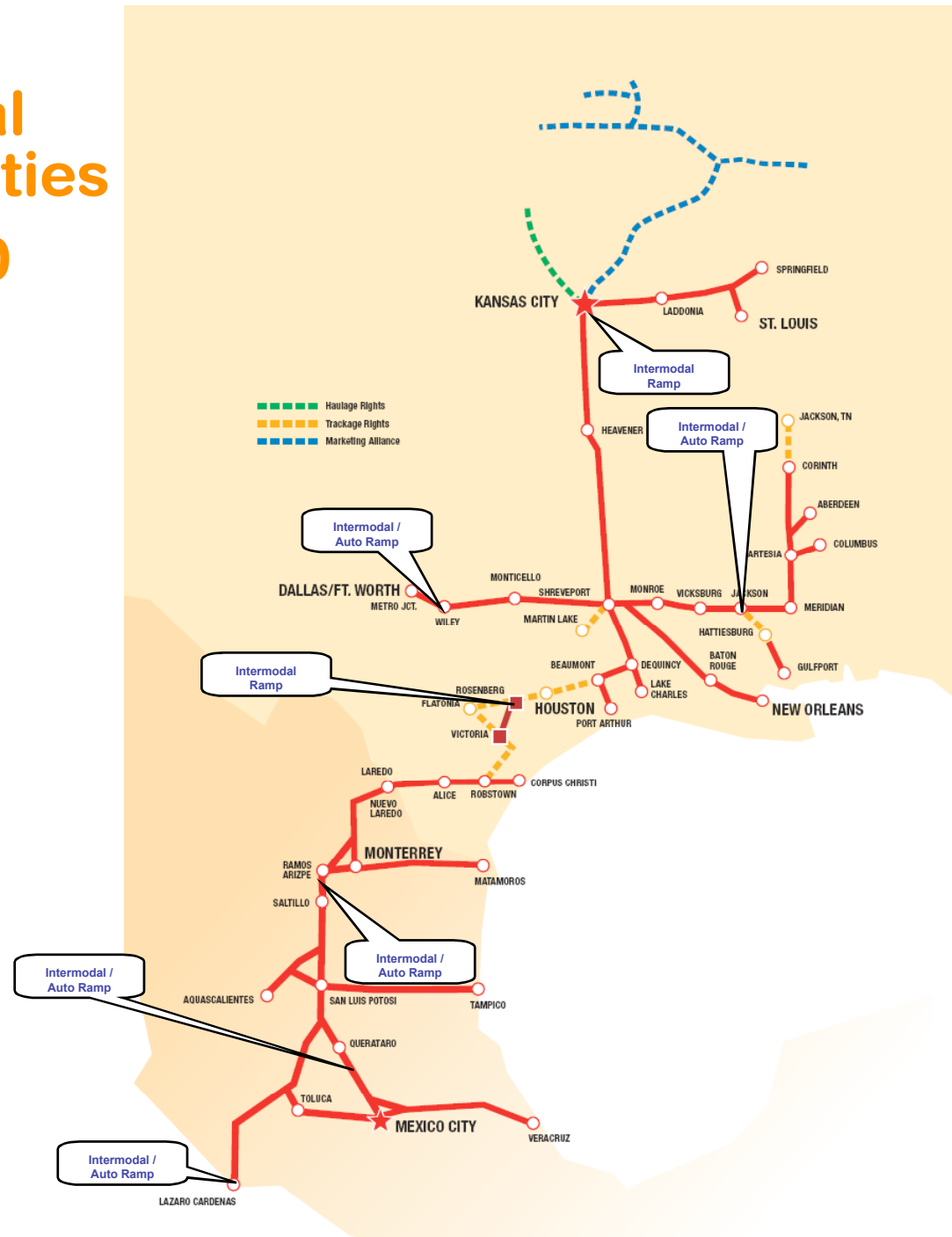
- **Reduce Highway Congestion**
 - A single train can take approximately 280-500 trucks off our highways
- **Improve Energy Efficiency**
 - Rail can move a ton of freight 404 miles per gallon of diesel fuel
 - Shifting a small fraction of truck freight to rail could save hundreds of millions of gallons of fuel per year
- **Reduce Pollution**
 - A locomotive emits 2/3 less pollution per ton-mile than a typical truck
 - Rail accounts for only 9% of total transportation nitrogen oxide emissions and 4% of transportation-related particulates
- **Improve Safety**
 - Lower employee injury rates
 - 1/4 as many motorist fatalities as intercity motor carriers
 - 1/16 as many hazmat releases as motor carriers
- **Invest Public Dollars more Productively**
 - Approximately \$10 million per mile to add one lane to an urban highway
 - Approximately \$2 million per mile to build a new rail line

Intermodal Corridor Opportunities



Markets

New Intermodal Opportunities 2007-2010



Potential Solutions

- **Resist Efforts to Limit Rail Revenues**
 - Revenues still insufficient to fully fund investment needs of rail industry
 - Revenue increases = increased funds spent on capital investment
- **Create Tax Incentives for Rail & Intermodal Infrastructure Investments**
 - Tax credits for shippers & railroads that invest in infrastructure
 - Renewal and expansion of shortline tax credit
- **Support Public/Private Partnerships**
 - Funding & regulatory constraints limit railroads' ability to fund all needed infrastructure investment
 - Some railroad projects may have both private & public benefits that make public funding appropriate
- **Support FRA's RRIF Program**
 - Since 2002, FRA has approved loans of approximately \$650 million
 - Tex Mex \$50 million loan in 2005 accelerated critical infrastructure
- **Support Full Funding Of Section 9002 of SAFETEA-LU Act**
 - \$350 million authorized for funding rail line relocations & improvements
 - No funds yet appropriated

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