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August 23, 2013

The Honorable Daniel R. Elliott, III
Surface Transportation Board
395 E Street S.W.
Washington, D.C. 20423-0001

Dear Chairman Elliott:

Thank you for the opportunity to share with you The Kansas City Southern Railway Company's (KCSR) readiness to handle our customers' peak season shipping needs this year. We expect a healthy uptick in total demand driven by the return of normal grain harvest volumes and a strong domestic intermodal market. Fair to moderate strength across the balance of our business units is expected, as well as a moderate demand from the international intermodal segment.

First and foremost, safety is the cornerstone of our service. Through ongoing and regular communication, the providing of necessary tools and with the full support of management, the operating team is prepared to operate the railroad in a safe manner.

Earlier this year, KCSR established a new, in-house Transportation Engineering and Mechanical (TEaM) Training Center in Shreveport, La., where new operating employees will be trained how to safely perform their duties and more experienced employees will periodically receive mandatory and career development training. Right now, there are 34 conductors, 28 engineers and one assistant trainmaster in classes at the TEaM Center. Additional new conductor classes are scheduled to begin September 9 and October 21 with a total enrollment of 72. Five TEaM Center alums from Engineering and Mechanical have already been promoted.

To stay ahead of the demand for rail cars, KCSR placed equipment orders in 2012 and early 2013. We purchased 300 new jumbo covered hoppers to renew the fleet; 250 tri-levels, 200 bi-levels and 175 automax for automotive business, and 100 intermodal cars, which were cut-down from 48' to 40' wells. These investments added incremental capacity to the North American fleet in preparation for the upcoming harvest and next year's demand. For our grain business, KCSR partnered with two companies to answer spot market needs for harvest by acquiring additional grain car capacity. Box cars are in surplus, but the opportunity to seize additional usage opportunities of approximately 200 newly-built 60' high cubes in the North American box car pool occurred in the last 30 days and KCSR invested in that opportunity to ensure that our spot market needs would be met.

In terms of locomotives, KCSR stayed ahead of demand through purchases in 2012 and selective management of locomotive sharing. Peak season will be bolstered with the receipt of three to five new EMD locomotives per week, starting December 1, for a total of 25 new locomotives received this year.

Specific action plans are in place for each business unit. A significant amount of time and close coordination was invested with grain customers planning for shuttle train loading at two brand new facilities experiencing their first peak season. I was personally involved in these plans to ensure we will meet our customers' expectations.

In talking with customers, we have outlined our investments in infrastructure and capacity to meet their peak season needs. While key projects on our south Texas route into Mexico will not be ready for peak season, we have made significant enhancements to other line segments in time for peak season, including:

- $35 million in rail, ties and broken rail protection on the Kansas City, Missouri to East St. Louis, Illinois lines;
- $16.6 million in rail and ties on the MSLLC line between Shreveport, Louisiana and Meridian, Mississippi;
- $32.6 million in rail and ties on the north-south line between Kansas City and Port Arthur, Texas;
- $22.9 million in ties on branch lines;
- $13 million on major bridge rebuilds;
- Clearing of a restrictive tunnel in Arkansas to open a superior efficiency route for specific customers;
- $12 million in Shreveport Centralized Traffic Control, lead expansion and main line realignment;
- $21 million in incremental capacity on the UP trackage rights between Victoria and Corpus Christi, Texas;
- $16.3 million in service-enhancing capacity projects in Texas; and
- $3.2 million allocated for U.S.-Mexico border facility improvements.

Investments for crude oil and sand were largely centered on creating capacity between Kansas City and Port Arthur. For example, in Shreveport, we invested over $20 million in Centralized Traffic Control, main line realignment and power switches to expedite all trains through our largest terminal. In the Beaumont/Port Arthur area, we invested in a new main line connection to the Port of Beaumont and eight miles of new rail in the terminal. In south Texas, we are rebuilding our Corpus Christi yard to support the sand business, as well as building a new main line siding on the Corpus Christi to Laredo, Texas subdivision.

Through KCS' investments in people, equipment and infrastructure, I am confident that we are well-positioned to meet the needs of North American shippers for peak season and beyond.

Sincerely,

David L. Starling
President & Chief Executive Officer

cc: The Honorable Ann D. Begeman, Vice Chairman
The Honorable Francis P. Mulvey, Commissioner