

KANSAS CITY SOUTHERN

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September 27, 2011

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

Re: End-of-Year 2011 Railroad Service Outlook

Dear Chairman Elliott:

In response to your letter dated September 6, 2011, I am pleased to report on the readiness of The Kansas City Southern Railway Company (KCSR) for peak season. Despite challenges around our operation on our partner railroads this year, 2011 has proven to be strong operationally under growing traffic volumes. We share concern over the macro carload trends but have proven to be able to gain share in certain markets off-setting some sectors showing declines.

Since mid-April, when the heavier than normal spring melt started to raise water levels on the Mississippi River, we have been impacted to a degree by water outages. Once the Mississippi declined the Missouri River took its place, and we are still feeling its impact. We are pleased with our management group taking proactive steps to ensure what all possible service was maintained with great customer accolades for our efforts. We anticipate that the peak season will be impacted minorly by way of restricted access to the Council Bluffs corn and soy bean market due to the continued outage on the BNSF between Napier, MO and Pacific Jct., MO. During the water woes, we did take the time and effort to improve the mechanical condition of grain fleet to allow for greater availability of equipment knowing we may have access restrictions in the fall.

As we have stated in the past, we are proud of our safety legacy and continued strong performance across all departments. Our safety focus will be a key aspect of our continued operations.

In 2011, we have acted on growth predictions to improve our motive power fleet by placing an order for 30 new GE AC locomotives deliverable in Q4 2011. We have extended key sidings along our north-south route as well as continued to move ahead with several small projects on the MSLLC, which we still have two significant projects left to complete. We have engaged in a 5-year plan with UP on the often contentious and certainly troubling performance

September 27, 2011
Letter to Mr. Daniel R. Elliott, III, Chairman

Page Two

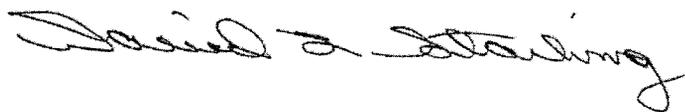
corridor across the Angleton/Brownsville Sub in South Texas. This effort will directly benefit the customer base in Corpus Christi by facilitating a fluid corridor and allowing locals to gain the necessary track time to work their customers. We've also engaged UP in proactive planning on other joint facilities between us, prior to any service concerns. We expanded and upgraded our rolling stock through expansion of our gondola, coil car, automotive, and tank car fleets. We have also pursued a healthy hiring and training program that will keep us ahead of the demand curve on both the conductor and engineer front. Specific to trans-border Mexican/US intermodal business, we have focused our attention on both the international and domestic segments and have made headway in both. The domestic sector has certainly been a more impressive economic product to our shippers at this point.

As you know we are experiencing congestion related to a series of UP curfews and deteriorating condition of the rails between Beaumont, TX and Robstown, TX. Our delays as a result of the deteriorated conditions and curfews are expected to last through the peak season. We have expressed our concern over UP's ability to facilitate the business they are accountable for and we will continue to do so, plus assist them as we can. Delays will certainly be recognizable by our customers.

On a very positive note, I am pleased that we resumed our customer surveys this summer. We have set out on a rolling basis to sample a large portion of customer base. We were pleased with the results indicating that KCS brings value to the customer base and offering transportation and support services above the level of our competitors. The most critical feedback for improvement centered on our website and the services our customer base can access electronically. We listened to the feedback and I am pleased to announce that a new website with improved functionality for customers will be rolled out this fall.

We are confident that our operating team is well prepared for 2011's peak season. Thank you for the opportunity to respond to you on our efforts for the fall traffic surge. We would be delighted to provide any additional details that you or the Board might require.

Sincerely,



David L. Starling
President and Chief Executive Officer

DLS/wjb

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