

KANSAS CITY SOUTHERN

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August 23, 2010

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

Dear Chairman Elliott III:

In response to your letter dated August 9, 2010, I am pleased to report on the readiness of The Kansas City Southern Railway Company (KCSR) and Kansas City Southern de Mexico, S.A. de C.V. (KCSM) for peak season. Despite a severe challenge to our operation this year, 2010 has proven to be strong operationally under rebounding traffic volumes.

Since July 1st, when Hurricane Alex's rains started to impact our Mexico and South Texas Operations, we have been diligently focused on restoring normal levels of service to our customers. Hurricane Alex's wrath was felt across nearly the entire KCSM network. Our initial three plus weeks of recovery efforts allowed us to commence normal operations over the Laredo Gateway on July 24th. Continuing efforts remain targeted at slow order remediation and protection of several areas still saturated from the unprecedented levels of water Northern Mexico has seen since July 1st.

As we have stated in the past, we are proud of our Safety Legacy and continued strong performance across all departments. We continue to make improvements across our system in both the U.S. and Mexico. Our Safety focus will be a key aspect of our continued operations.

As you allude to, we share in the sentiment that an important corner has been turned with respect to the economy. With few exceptions we continue to enjoy growth in most segments of our portfolio. We continue to invest in the railroad and specifically are proud of our investment in our North-South Corridor which is our vital pipeline for Powder River Basin Coal to seven major Power Generation Stations and a major thoroughfare of Grain to the Poultry industry in the US and Food Products in Mexico. In addition to physical improvements to the North-South Line we continue to make capacity improving strides vital to our intermodal network on the Meridian Speedway (MSLLC).

We have invested considerable effort to right-size our rolling stock to forecasted levels of business, plus took advantage of certain railcar markets to secure superior capacity cars. Agriculture and Forest and Paper products will benefit most heavily from the enhancement of our railcar fleet. Our Locomotive Fleet has remained at the same level as 2009, with considerably fewer locomotives in

storage. Our employee base in both the US and Mexico have been fully restored with none furloughed among the ranks. We have begun to hire and expect 20 conductors to be promoted in 2010 within the US alone and will hire at a minimum of 97 for promotion in 2011 with potentially 50 additional personnel dependent upon attrition rates.

Potential developments in Passenger Service are limited since we do not host Amtrak except as a tenant of Union Pacific in Joint Facilities with us. We still do not measure Amtrak on-time performance.

US Container business moving via Mexican Ports, namely Lazaro Cardenas, has commenced in cooperation with CSAV. Operations started in late Spring 2010 and continues to grow. Our Intermodal Operations and Commercial teams continue to support the availability of services and equipment to export shippers across our entire network, although our access to minor markets is limited. We have however participated in multiple discussions to introduce KCS 53' Domestic Containers in place of certain Truck Load Carrier assets to facilitate additional shipping capacity to be available for the peak demand in 2010.

Anticipated congestion points are envisioned in conjunction with planned Maintenance of Way work on our Vicksburg Subdivision in September and Heavener Subdivision between September and November. Additionally we are experiencing congestion related to a series of UP Curfews between Bloomington, TX and Robstown, TX. Our delays as a result of this UP work are expected to last through the month of October.

Our PTC Initiatives are well underway and our Implementation Plan has received final and unconditional approval from the FRA. Our progress is consistent with on-time delivery to target dates within the schedule provided inside the Implementation Plan.

We are confident that our operating team at KCS is well prepared for 2010's Peak Season. Thank you for the opportunity to respond to you on our efforts for the fall traffic surge. We stand ready to provide any additional details that you or the Board might require.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Ebbrecht", with a stylized flourish extending to the right.

Dave Ebbrecht

Senior Vice President Operations