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FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 33844]

Kansas City Southern Industries, Inc., et al.—Corporate Family Transaction Exemption

Kansas City Southern Industries, Inc. (KCSI), Kansas City Southern Lines, Inc. (KCSL), The Kansas City Southern Railway Company (KCSR), KCS Transportation Company (KCST), Gateway Western Railway Company (GWWR), and Gateway Eastern Railway Company (GWER) (collectively, applicants),¹ have filed a verified notice of exemption. The exempt transaction involves KCSR's acquisition of KCST's rail subsidiaries, GWWR and GWER, through acquiring KCST's stock from KCSL.

The applicants reported that they intended to consummate the transaction immediately upon the effective date of the exemption. The earliest the transaction could be consummated was January 17, 2000, 7 days after the exemption was filed.²

¹ KCSI is a publicly traded, noncarrier holding company with both rail and nonrail assets. KCSL, a noncarrier holding company which owns direct and indirect interests in rail transportation companies, is a direct wholly owned subsidiary of KCSI. KCSR, a Class I rail carrier operating in the States of Nebraska, Iowa, Kansas, Missouri, Oklahoma, Arkansas, Texas, Louisiana, Mississippi, Tennessee, and Alabama, is a wholly owned subsidiary of KCSL and an indirect wholly owned subsidiary of KCSI. KCST, a noncarrier, is a wholly owned subsidiary of KCSL and an indirect wholly owned subsidiary of KCSI. KCST owns all of the stock of GWWR, a Class II rail carrier operating in the States of Kansas, Missouri and Illinois. GWWR owns all of the stock of GWER, a Class III rail carrier operating in the State of Illinois.

² Upon completion of the transaction, KCSR will indirectly control GWWR and GWER.

The purpose of the transaction is to facilitate the planned spinoff of KCSI's financial subsidiaries into a corporation separate from KCSI, and to bring all of KCSI's commonly controlled railroads under the direct control of KCSR.

This is a transaction within a corporate family of the type specifically exempted from prior review and approval under 49 CFR 1180.2(d)(3). The applicants state that the transaction will not result in adverse changes in service levels, significant operational changes, or a change in the competitive balance with carriers outside the corporate family.

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Although applicants do not expect any employees to be adversely affected by this control transaction, they have agreed to apply employee protective conditions pursuant to 49 U.S.C. 11326(a). Therefore, any employees adversely affected by the control transaction will be protected by the conditions set forth in New York Dock Ry.--Control--Brooklyn Eastern Dist., 360 I.C.C. 60 (1979).

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to reopen the proceeding to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to reopen will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 33844, must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Unit,

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1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on William A. Mullins, Esq., Troutman Sanders, LLP, 1300 I Street, N.W., Suite 500 East, Washington, DC 20005-3314.

Board decisions and notices are available on our website at “WWW.STB.DOT.GOV.”

Decided: January 18, 2000.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary