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June 29, 2012

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

Dear Chairman Elliott:

In response to your letter dated June 8, 2012, I am pleased to report on the readiness of The Kansas City Southern Railway Company (KCSR) for peak season. This year has proven to be one of our strongest operational years in recent history. Although we have seen operational benefits from reduced demand for coal transport, we continue to look for new ways to provide a compelling competitive solution for our customers.

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 continue to be a key aspect of our operations.

KCSR continues to invest in resources to stay ahead of the projected demand curve. We are training 41 conductors and 36 engineers, who will be ready for service in the peak season. We have ordered 20 new line-of-road locomotives to be delivered in the fourth quarter. We consistently stay ahead of the demand for locomotives, and these next 20 will allow for further efficiencies and business growth, especially in the crude oil area. We will also increase our rail car fleet as our automotive business projections continue to be robust.

KCSR is very close to automotive industry dynamics. We have taken one of the most aggressive and proactive roles in delivering the results our customers expect. We have a line of 100 Automaxes being built right now, the first of which is expected to roll-off the line in October. We are working with three other auto manufacturers to expand this order and offer a first-of-its-kind NAFTA Automax Network.

In addition to the Automax, we have ordered 250 tri-levels from Trinity Rail Car. We were the second company to order the tri-levels; therefore, deliveries will start in 2012 with more to come in 2013. Through the receipt of new railcars and continued car velocity improvements, KCSR will meet auto industry expectations in the lanes where we provide the equipment. Bi-level demand will be the key issue during peak season. KCSR is not an originator of oil or sand, but we do terminate a significant amount of the opportunities. The locomotives described above will be able to handle the projected volumes. We continue to invest in our North-South line capacity and durability, plus yard capacities in the Beaumont/Port Arthur, Texas area to accommodate the volume growth. In fact, our multi-year investment in our main line has put our infrastructure into near routine cycles, and we now have our rail in the best condition in decades.

KCSR's capacity-related investments in 2011 and 2012 include:

- 30 new GE locomotives received in 2011;
- Sponsorship of 300 new 60' HC boxcars through TTX;
- Centralized Traffic Control (CTC) and main line reconfiguration in Shreveport, Louisiana;
- CTC completion on the Beaumont Subdivision;
- CTC and automation of the Jackson, Mississippi switch tender;
- Rehab and upgrade of the Gulfport Sub;
- New siding at Kendleton, Texas;
- New siding at Robstown, Texas;
- Siding extension at McElhaney, Missouri; and
- Yard expansions at Artesia, Mississippi and Escobedo, Guanajuato.

Our projected volumes across all business units do not pose a threat to our available capacity to handle peak season demand successfully.

As you know, KCSR is not the host carrier to any passenger service. We continue to be an active participant in moving the Illinois High Speed Rail (HSR) project forward. We have multiple operating configurations and offers open for Union Pacific approval that will more than accommodate the HSR plans. On the Sunset Limited route, where Amtrak uses a small part of our track under Amtrak's contract with UP, we are investing in our bridges to improve line consistency for the future.

As I reported last year, we established a new customer satisfaction survey process in 2011 with a focus on creating a culture around learning from our customers. Three times a year we survey one-third of our top 100 customers. Since we began surveying our customers, we have had 180 individual surveys completed with a 40.6 percent response rate. We have received very positive feedback and have grown together with our customers through this process.

We are confident that the KCSR operating team is well prepared for 2012'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
Kansas City Southern

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