

# THE KANSAS CITY SOUTHERN RAILWAY COMPANY

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FOUNDED 1887

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August 3, 2015

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 The Kansas City Southern Railway Company's (KCSR) readiness to handle our customers' peak season shipping needs this year. At this time, we expect a sequential volume increase in the second half of the year, driven by near record grain harvest volumes and increased crude oil shipments. We expect more coal shipments than experienced in the majority of the past 12 months, as well as moderate returns to growth in the domestic intermodal market.

Safety will always be KCSR's highest priority and our operations team continues to actively promote safety every day across our network. KCSR has representatives on approximately 40 Safety and Operations Management Committees (SOMC), including key areas such as Asset Health, Hazmat and PTC.

KCSR continues to enjoy the capabilities of our in-house Transportation Engineering and Mechanical (TEaM) Training Center in Shreveport, Louisiana. Currently, we have a 1,344 active employees with 60 in training and plans to start an additional class of 20 in September. We have a small number of employees in furlough status. As of this writing, the total is 74. Overall, KCSR has a sufficient crew base to deliver anticipated results.

In addition to the 85 locomotives received in 2014, we received another 50 locomotives this year. These locomotives resulted in a net increase to the fleet. We believe we have sufficient locomotives for a successful peak season.

KCSR has also invested in rail car fleet additions to protect growth and peak demand. This year, saw the return of grain covered hopper production in the industry and we took delivery of 200 new covered hoppers for this purpose so far this year. From now until the end of the year, we will build 500 new covered hoppers for grain transportation. In addition to the covered hopper fleet expansion, our automotive fleet continues to expand to deliver on the growing production coming from México into the United States. Year-to-date, we have built 200 new Bi-Levels and will build 100 more. In addition to the 300 Bi-Levels, we are having 80 Tri-Level-configured Multi-Max units built for automotive transportation.

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**Letter to The Honorable Daniel R. Elliott, III  
August 3, 2015**

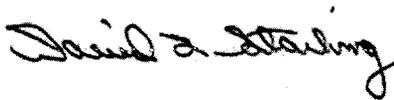
The company continues to aggressively deploy capital for infrastructure improvements and capacity enhancements, which keep track maintenance in a regular and healthy cycle, while enhancing the safety of our operation. Notable 2015 projects are:

- \$93 million in rail and tie renewal programs, with the majority being spent on key corridor routes between Kansas City, Missouri and Laredo, Texas;
  - \$19 million in rail and tie renewal completing the last phase of a multi-year rehabilitation program between Beaumont, Texas and DeQuincy, Louisiana;
  - \$17 million in rail and tie renewal between Laredo and Corpus Christi, Texas;
  - \$19 million in rail and tie renewal between Kansas City, Missouri and Shreveport, Louisiana;
  - \$20.9 million in rail and tie renewal between Roodhouse, Illinois and Kansas City, Missouri;
- Continuation of a multi-year expansion of our Jackson, Mississippi switching yard;
- Completion of Centralized Traffic Control for our Laredo Subdivision between Robstown and Laredo, Texas on a key international corridor;
- Completion of several incremental capacity projects on UP trackage rights between Victoria and Corpus Christi, Texas;
- Completion of one additional R&D track in our Laredo, Texas switching yard; and
- Commencement of the design and construction planning for a multi-year investment strategy across UP trackage rights in conjunction with UP.

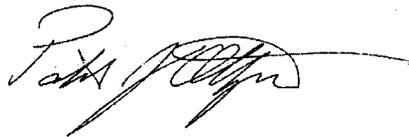
In addition, our newly completed, state-of-the-art Wylie Intermodal Terminal is open and will support growth and fluidity in our domestic intermodal market.

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

Sincerely,



David L. Starling  
Chief Executive Officer



Patrick J. Ottensmeyer  
President

cc: The Honorable Deb Miller, Commissioner  
The Honorable Ann D. Begeman, Vice Chairman