

**SURFACE TRANSPORTATION BOARD ACCEPTS “KANSAS CITY SOUTHERN”  
APPLICATION FOR CONTROL OF “GATEWAY WESTERN” & “GATEWAY EASTERN”  
RAILWAY COMPANIES**

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ACCEPTS “KANSAS CITY SOUTHERN” APPLICATION FOR CONTROL OF  
“GATEWAY WESTERN” & “GATEWAY EASTERN” RAILWAY COMPANIES**

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has accepted the application filed by Kansas City Southern Industries, Inc. (KCSI) including KCS Transportation Company (KCSTC) and The Kansas City Southern Railway Company (KCSR), to acquire control of Gateway Western Railway Company (GWWR) and Gateway Eastern Railway Company (GWER) (collectively, “applicants”). The Board also found that the proposal is a “minor” transaction. A “minor” transaction does not involve the control or merger of two or more Class I railroads and is not of regional or national transportation significance, and established an expedited procedural schedule, as requested by the applicants.

KCSR is a Class I railroad, a railroad with annual operating revenues of \$250 million or more over three consecutive years, operating more than 4,000 route miles in the midwestern and southern states. GWWR is a Class II railroad, a railroad with annual operating revenues of between \$20 million and \$250 million over three consecutive years, owning and operating 461 miles of rail line between Kansas City, Kansas, and East St. Louis, Illinois. GWWR also has haulage rights over the Southern Pacific Transportation Inc. line between Springfield, IL and Chicago, IL. GWER, which is wholly owned by GWWR, is a Class III railroad, a railroad with annual operating revenues of less than \$20 million over three consecutive years, owning and operating 17 miles of line between East Alton, IL and East St. Louis. The proposed transaction would extend KCSR’s rail system into Chicago and East St. Louis.

Under section 11324(d) of Title 49, United States Code [49 U.S.C. 11324(d)], in cases not involving the merger or control of a least two Class I railroads, the Board must approve a transaction unless it finds that the transaction will result in a “substantial lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States;” and “the anticompetitive effects of the transaction outweigh the public interest in meeting significant transportation needs.” The applicants argue that the transaction would:

(1) have no anticompetitive effects because it would be an end-to-end--instead of a parallel--acquisition; (2) enhance competition and provide shippers with increased service and routing options; (3) further the public interest in meeting significant transportation needs; (4) strengthen KCSI's combined system and improve its financial and operating performance; and (5) not adversely affect existing non-exempt (non-management) KCSR, GWWR, or GWER employees.

Written comments, including comments from the Secretary of Transportation and the Attorney General of the United States, must be filed with the Board no later than **March 17, 1997**. The applicants' reply is due on **April 1, 1997**. The Board expects to issue a final decision by **May 1, 1997**, with an effective date of **May 5, 1997**.

The Board accepted the applicants' control application in the case entitled Kansas City Southern Industries, Inc., KCS Transportation Company and The Kansas City Southern Railway Company--Control--Gateway Western Railway Company and Gateway Eastern Railway Company, STB Finance Docket No. 33311.

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