



KANSAS CITY SOUTHERN

# BEYOND BORDERS

a newsletter for KCSR and KCSM customers

September 2007



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## KCS applies for RRIF Loan to rehabilitate Victoria to Rosenberg line

In June, KCS announced that it has applied for an approximate \$100 million Railroad Rehabilitation and Improvement Financing (RRIF) loan from the Federal Railroad Administration (FRA) to finance the rehabilitation of its line between Victoria and Rosenberg, TX on an existing rail corridor.

Rehabilitation of the line will shorten KCS' U.S. route to Mexico by approximately 70 miles. It will also eliminate the need for KCS to operate over nearly 160 miles of Union Pacific-controlled track between Rosenberg and Victoria, TX via Flatonia, TX, which is a heavily used rail corridor. This would allow a mileage reduction in KCS' use of trackage rights over Union Pacific between Beaumont and Robstown, TX by over 40 percent.

"This project is one of the most strategically important actions our company could undertake right now," said Michael R. Haverty, KCS chairman and chief executive officer. "Upon completion, it will immediately reduce our operating costs to the point that the project will pay for itself. It will facilitate the development of a superior service route for intermodal shippers to and from Mexico, add badly needed rail capacity to south Texas and return vital rail service to communities along the line."

Rehabilitation of the line will allow KCS to re-establish rail service along the line, which has been out of service, but never abandoned. This will stimulate economic growth and opportunity in communities along the corridor. KCS will work closely with the Texas Department of Transportation (TxDOT) and local communities along the line as the project progresses.

Review of the KCS RRIF loan application will take place initially at the FRA. FRA is very familiar with the project and was briefed on it previously by KCS and TxDOT officials. KCS' subsidiary, Texas Mexican Railway (Tex-Mex), received approval for a RRIF loan for main line rail rehabilitation in south Texas in 2004. The Victoria to Rosenberg rehabilitation project is a logical extension of the work funded by the earlier Tex-Mex RRIF loan. KCS is hopeful for a quick review by the FRA and other federal officials, given the FRA's existing knowledge of the project and its importance to south Texas. Some track salvage and preliminary grading has already been done along the northern end of the line. KCS intends to begin other work on the project immediately. Separate from the RRIF application, KCS will pursue a rail by-pass around Victoria.

## KCSM implements new MCS train capacity tool

KCSM has completed the implementation of a new Management Control System (MCS) train capacity tool, which is being used on the Matamoros to Monterrey; San Luis Potosí to Tampico; Veracruz to Valle de México; and Lázaro Cárdenas to Morelia routes.



releases the car, the car becomes available in the system. From there, a trip plan is generated with the whole route from the customer's facilities to the KCSM yard where the train is assembled. Once the train reaches its capacity, cars are automatically retripped to the next train.

This tool is helping make train scheduling more accurate and efficient, because the system establishes and determines which car must be moved in which train for each trip. The tool also programs trains that come out of the terminal with those added or released from other terminals, creating a more complete trip plan.

With train capacity data, MCS automatically programs which cars should be added to a train, based on the switching scheduled. As soon as the customer



## CenterPoint Properties, KCSR partner to develop intermodal logistics park in KC

On July 9, CenterPoint Properties announced that it is partnering with KCSR to develop a 1,300-acre intermodal logistics park in south Kansas City, Mo. The CenterPoint-KCS Intermodal Center will feature an approximately 370-acre intermodal facility operated by KCSR and an approximately 830-acre industrial park developed by CenterPoint Properties.

The Richards-Gebaur Airport—a former U.S. Air Force base—currently sits on a majority of the site. Commencing immediately, Phase I of the

redevelopment plan will include any necessary ground remediation, in addition to infrastructure and utility installations, to prepare the site for up to 3.5 million square feet of warehouse and distribution facilities. Construction will also begin this year on the KCSR intermodal facility.

KCSR has 11,340 feet of main line track bordering Richards-Gebaur and currently operates an automotive distribution facility on the property. Approximately 70,000 cars a year pass through KCSR's International Freight Gateway, including operations for Mazda North America. The site is located in south Kansas City adjacent to US Highway 71 (a 4-lane divided highway) and Missouri 150 (a 4-lane divided state highway), which provide a direct connection to a wide network of cross-country interstates.

“Kansas City is in an ideal position at the intersection of the nation's freight transportation network, to become a significant distribution hub for international trade,” said Fred Reynolds, senior vice president of development at CenterPoint Properties. “As import and domestic traffic volumes continue to grow, coming north from Mexico and south from Canada, CenterPoint-KCS Intermodal Center will become an economically viable location for a variety of distribution-related customers.”

“KCS is pleased to be in partnership with CenterPoint on the development of this intermodal distribution center,” said Warren Erdman, senior vice president corporate affairs for KCS. “CenterPoint brings global sophistication and development experience to this development. KCS has one of North America's most strategic rail corridors. Together, we can offer tenants and shippers many economic advantages.”

## Capacity improvement update

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In a continuous effort to increase capacity and train velocity, and improve service to our customers, a number of capital improvement projects were recently completed or are underway on KCSR and KCSM.

### KCSM:

- Several KCSM capacity projects have already been completed in 2007, including double track at Sanchez, a siding extension at Rinconada, a double main from La Pila to Espanita and double track at Ojo Caliente.

### KCSR:

- Tracks 54, 55, and 56 in the Shreveport yard were modified to allow greater flexibility for the mechanical shop to repair locomotives.
- The KCSR tie production gangs are finalizing their 2007 work on the Shreveport Subdivision. When complete, approximately 170,000 ties will have been replaced between Page, Okla. and Jury, TX, and the track surface level will have been raised between 3" and 6" in this area.

### Meridian Speedway, LLC (a joint venture of KCS and NS):

- The Norfolk Southern rail gang is in process of relaying approximately 40 miles of rail on the Vicksburg and Meridian subdivisions. The project will be completed in the third quarter of 2007.
- Approximately 85,000 ties have been replaced in 2007, primarily between Meridian and Rankin, Miss.
- New Centralized Traffic Control service from Shreveport to Bovay, La. is half way complete. Estimated completion date is January 2008.
- MSLLC capacity improvements are progressing as planned. Major projects include new sidings at Stevens, La., Meehan, Miss. and Rankin, Miss. Each of these projects is approaching 50 percent completion.



## KCSR hosts sixth short line conference

On August 15 and 16, KCSR held its sixth short line conference in Kansas City, Mo. After fellowship with a golf outing and dinner, everyone got down to business. The annual conference provides an opportunity for KCSR and its short line partners to talk about what's new and resolve issues.

“As a former Class I railroader, I think it's great to have the opportunity to hear directly from KCSR's senior leadership and meet face to face with the market managers we do business with on a regular basis,” said Alan Elliott, vice president for Watco Companies, a KCSR short line partner. “There is great value in learning one another's strategies and where they can align to the benefit of everyone involved.”

“Our objective is to better collaborate toward increasing revenues and improving operating efficiencies,” said Darin Selby, KCSR assistant vice president sales and marketing for the coal business unit and conference organizer.

A complete list of KCSR's short line partners can be found at [www.kcsouthern.com](http://www.kcsouthern.com) under Customers and Contacts.

## KCS offers lots of TLC

While KCS and its subsidiaries are well-known for the seamless, north-south route with access to the West Coast port of Lazaro Cardenas in Mexico, and the east-west Meridian Speedway route in the U.S., a lesser known advantage of using KCSR and KCSM is the extensive TransLoad Center (TLC) program.

TLC partners with selected logistics, trucking and warehouse firms to provide customers with efficient and cost-effective distribution and consolidation services. TLC has the capacity to handle a wide-variety of products and strives to become an integral part of our customers' supply chain by improving their economics and response time.

"KCS' TLC offers some distinct advantages from other railroads," said Rich Weigel, assistant vice president sales and marketing. "We offer a single-bill, door-to-door package that includes railcar, warehousing and trucking services and our customers have the flexibility of independently selecting from these and other value-added services. While the single-bill is being discontinued by other U.S. railroads, it will continue at KCSR and soon be offered at KCSM. In addition, our TLC network in Mexico has the most state-of-the-art facilities and the greatest number of options of any Mexican railroad."

The KCSM TLC has an impressive network of transloads near the major industrial centers of Mexico to handle plastics, hazardous materials, paper, steel and other products. As an example, the Bulkmatic plastics transloads and the Feno Resinas hazardous material facilities are excellent TLC's that meet American Chemistry Council requirements. As a result, more U.S. customers are shipping their products directly to KCSM transloads and are bypassing the transloads at the border and eliminating long-haul truck deliveries.

KCS' TLC is comprised of approximately 50 U.S. and 65 Mexican warehouses and bulk facilities. In 2006, the KCSR TLC's handled 42,044 cars and the KCSM TLC's handled 36,629 cars. A complete listing of these facilities, their amenities and contact information is available at [www.kcsouthern.com](http://www.kcsouthern.com) under Customers and TransLoad Business Unit. For more information, please contact Rich Weigel in Kansas City at 816-983-1463 or Mauricio Guizar in Mexico City at 888-812-9512 x5654.



## New My KCS features for customers

A number of new Track and Trace features are becoming available to customers using My KCS at [www.kcsouthern.com](http://www.kcsouthern.com).

### *New in July:*

- You can reset your password online, instead of calling for assistance.
- You will be prompted to update your profile and accept the shipping agreement. Your profile can be updated anytime by selecting Update Profile on the Online Tools screen.
- Regardless of how you enter My KCS, you can see which applications have security assigned. This allows a single sign-on to all applications by entering the assigned username and password just once, versus each time a new application is accessed.

### *New in August:*

- If you have Track and Trace security, you can view off line events for rail cars or units that have interchanged to other carriers in route. Inside My KCS' Track and Trace, the feature is accessible by clicking on Equipment Event Inquiry and then Off Line Movements.
- You can also retrieve from Equipment Event Inquiry, historical movements back 365 days from the current date.

### *Coming in September:*

- With the appropriate Track and Trace security, you can see up to three new options within the waybill inquiry application, allowing you to correct or cancel waybills or request diversions online.

User guides to these features are available from the Manuals link inside My KCS.

## Customer compliments

### **CII Carbon, L.L.C.**

On June 22, KCSR received an email from CII Carbon, L.L.C., a calcined coke producer, thanking KCSR for providing excellent service at their Norco, La. calciner. Derek Taylor, Gramercy production coordinator for CII Carbon, said, "I don't know if it is possible to put in a good word for someone, but Tim Livingston and James Holmes are doing a great job serving our Norco plant." Livingston is terminal trainmaster and Holmes is assistant trainmaster.

### **DuPont**

On June 25, DuPont supply chain technician Linda Madison sent an email to KCSR Gulfport and Meridian senior trainmaster Charles Lewis that read, "Just wanted to let you know how much Ginger and I appreciate Michello Garrick's attention to details and the way he looks out for DeLisle's interests." The email goes on to describe the situation and how Garrick's actions helped the DuPont DeLisle plant to maintain a steady supply of raw materials.

Michello Garrick is a new assistant trainmaster, having worked for KCSR for less than a year. Lewis told the *KCS News* that Michello is doing an outstanding job and that customers are constantly praising his job performance, noting that the email from DuPont is just one example of his dedication and professionalism. "DuPont is a large customer for KCSR and a compliment from them is a major accomplishment for a new employee," said Lewis.

# Sales & marketing team changes

In July, KCSM announced that the carload business unit within the sales and marketing department has been restructured to more efficiently serve customers in the U.S. and Mexico. This structure better reflects how customers purchase and manage transportation services provided by KCSM and KCSR.



**Gloria Ballesteros** has moved from vice president network planning and customer service in the KCSM operating department to vice president sales and marketing for the carload business unit. She will be responsible for the crossborder metals segment of the carload business unit, as well as the Mexican carload business unit sales force.



**Owen Zidar**, who is vice president sales and marketing for the carload business unit, is now responsible for the industrial, forest products and chemicals segments of the carload business unit in both the U.S. and Mexico, and remains responsible for the U.S. carload business unit sales force.



**Jorge de Leon Perches** has moved from vice president mechanical to vice president network planning and customer service for KCSM.

**Morris Godwin** was named assistant vice president premium operations and is responsible for managing operations and equipment requirements for the intermodal and automotive business units. A 25-year transportation and logistics veteran, Godwin is based in Kansas City, Mo.

**Tom Naso** was named assistant vice president marketing for the intermodal and automotive business units. A 27-year transportation and logistics veteran, Naso is responsible for intermodal and automotive marketing. He is based in Kansas City, Mo.

**Sharon Reeves** was promoted from assistant director to general director sales and marketing in the U.S. carload business unit. She is responsible for all marketing activity within the unit.

**Jennifer Fussell** was promoted from assistant director service measurement within the KCSR network solutions group to director sales and marketing in the U.S. carload business unit. She is responsible for national accounts and is based in Dallas, TX.

**Tim Carr** was promoted from revenue analyst to manager sales and marketing in the U.S. carload business unit. He is responsible for pricing the movement of agricultural chemicals and organics.

**Courtney Saye** was promoted from the internal audit department to manager sales and marketing in the coal business unit in Kansas City.

**Brenda Hughlon**, manager sales and marketing for the carload business unit in Kansas City, has retired after 31 years of service.

## Customer satisfaction

### General Motors

In April, General Motors began production of the 2008 Saturn VUE in Ramos Arizpe, Mexico, a plant directly served by KCSM. These vehicles will ship from the facility in 2007 to destinations throughout North America, arriving on showroom floors this summer. The mid-size crossover SUV is Saturn's top-selling model in the U.S.

"To date, General Motors is pleased with KCSM's service to the Ramos Arizpe facility, and we look forward to new opportunities for both companies to grow together in this region," said Bob Flaig, KCSR director sales and marketing of the automotive business unit.

## Awards

### Shreveport's Industry of the Year

On May 24, the Greater Shreveport Chamber of Commerce presented KCSR with the J. Pat Beaird Memorial Industry of the Year Award at the Top Businesses of the Year Luncheon. In addition, Shreveport, La. Mayor Cedric B. Glover proclaimed May 24, 2007 as Kansas City Southern Day.

Each year, the Chamber honors an outstanding corporate entity through the award that pays tribute to the memory of J. Pat Beaird, whose lifetime of community service helped make Shreveport and the State of Louisiana a better place to live and work.

### Harriman Gold

On May 17, at a ceremony in Washington, D.C., KCSR was recognized with the Gold E.H. Harriman Award in Group B (line-haul railroads whose employees worked four to 15 million employee-hours in 2006), moving up from silver last year. KCSR also received a Certificate of Commendation in Group B for continuous gains in employee safety improvements over a three-year period and showing the most improvement between 2005 and 2006. KCSR locomotive engineer Barry Wilkinson of Shreveport, La., who recently passed away, was recognized with a Harold F. Hammond Award Certificate of Commendation for his work in enhancing safety.

### Lifetime Achievement in Security Excellence

On May 9, KCS received a Lifetime Achievement Award in Security Excellence at the Global Border Security Conference and Expo in San Antonio, TX. The award recognized KCSR's and KCSM's supporting efforts in fighting transnational crime. KCSM vice president security Jim Kniestedt accepted the award on behalf of KCS. KCSR assistant vice president police and freight claims prevention Al Rawls was also in attendance. FedEx and a representative of U.S. Border Patrol also received awards. Approximately 600 representatives of the private and public, global border security community were in attendance.

## Customer Service Center:

U.S. Customer Service

**1-800-GO-TO-KCS**

Mexico Customer Service

**01-800-849-6145**

**[www.kcsouthern.com](http://www.kcsouthern.com)**