



KANSAS CITY SOUTHERN

# BEYOND BORDERS

a newsletter for KCSR and KCSM customers

Summer 2009



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## Enhancing Service

### KCS celebrates the opening of Texas rail line and intermodal center

In July 2009, KCS celebrated the opening of the reconstructed Victoria to Rosenberg rail line and the CenterPoint Intermodal Center-Houston Metro (CIC-HM) with a series of events for the KCS board of directors, customers and public officials. Events included rides aboard the Southern Belle business train and a ribbon-cutting ceremony on July 17.

The restoration of service will bring needed rail capacity to south Texas to reduce highway congestion and the number of trucks on Texas highways. As an important part of a transcontinental main line that connects the heartland of the U.S. with the heartland of Mexico and as an important part of a rail network that connects with every other major rail carrier in North America, the restoration of the line

*continued on page 2*



From left to right, Greater Fort Bend Economic Development Council president **Jeff Wiley**, KCS chairman and CEO **Mike Haverty**, Fort Bend County Commissioner **Richard Morrison**, City of Kendleton Mayor **Darryl Humphrey**, City of Rosenberg Mayor **Joe Gurecky**, Fort Bend County Commissioner **James Patterson**.

### KCS and WWL agree to establish Houston Metro distribution center for Nissan

As part of the opening ceremonies, KCS and Wallenius Wilhelmsen Logistics (WWL) announced that they had reached an agreement to establish a finished vehicle distribution center adjacent to the CIC-HM hub for its regional automotive distribution services in Texas.

This new facility will allow WWL to provide new vehicle distribution service to three states from a single site. Located on KCS’ Victoria to Rosenberg main line, CIC-HM provides direct access to the Nissan manufacturing facility at Aguascalientes, Mexico and the Port of Lazaro Cardenas.

“It is exciting to have a customer of WWL/ Nissan’s caliber select CIC-HM to serve their customers in Texas, Louisiana and Oklahoma,” said Brian Bowers, KCS senior vice president of intermodal and automotive. “The facility has the rail capacity, highway access and available land to serve Nissan as the demand for new vehicles returns.”

“WWL is constantly searching for ways to improve the factory to dealer journey for automobile manufacturers,” commented Christopher Connor, president of WWL, Americas. “We are excited to work with KCS on our mission to seamlessly connect automakers and dealerships in the U.S., Mexico and the rest of the region.”

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## Public safety paramount as train operations begin

From the start, KCSR has worked closely with communities along the Victoria to Rosenberg, Texas route in preparation for the restoration of train service. On June 17, KCSR and Texas Operation Lifesaver (TXOL) hosted a photo opportunity for the media and public, featuring a special heritage train, in an effort to heighten public awareness.

Prior to the start of service, KCSR completed the installation of crossing warning devices as designated by the joint Texas Department of Transportation/KCSR corridor plan, which included 52 sets of flashers/gates and KCSR emergency notification signs at public at-grade crossings; crossbucks with a STOP or YIELD sign, reflective striping and KCSR emergency notification signs at the remaining public at-grade crossings; and in advance of each public, at-grade crossing, an Advance Warning sign with pavement markings and stop bar markings applied on paved roads.

KCSR began train operations gradually to allow motorists to adjust to the restored service. In the first few days of operations, trains ran at a maximum speed of 10 miles per hour over all public crossings. The maximum authorized speed then increased to 25 miles per hour on June 29. Except for segments of the line where there are speed restrictions, maximum train speeds increased to 40 miles per hour on July 13. On August 1, the maximum authorized speed increased to and will remain at 49 miles per hour.

Also to help prepare the community for the restoration of rail service, KCSR partnered with TXOL to promote rail grade crossing safety with a multi-media advertising campaign and presentations throughout the Victoria to Rosenberg corridor. TXOL educates drivers and pedestrians to make safe decisions at rail crossings and around railroad tracks.

TXOL has trained several volunteer presenters to carry its safety message to schools, trucking companies and local industries. Several schools and civic groups have already scheduled presentations. KCSR will also promote public safety in other public forums.

TXOL and KCSR support active enforcement of traffic laws relating to crossing signs and signals and private property laws

## New Texas line and intermodal center *continued from pg 1*

will also make this part of Texas more economically competitive, leading to future economic opportunity and jobs.

The CIC-HM joint venture property owned by KCS and CenterPoint is 689 acres. Utilized for farm land until now, the land is flat and conducive to construction. Industrial lead tracks will be constructed in a built-to-order manner, based on the individual customer's needs. Several potential customers, both domestic and international, have expressed serious interest in constructing facilities at this site.

The intermodal shipper facility includes two 5,000-foot intermodal tracks and can easily hold 160 cars of intermodal equipment. The tracks are designed to be modified easily by extending the current tracks to the south in addition to constructing new tracks. Currently, it has parking for over 650 paved parking spaces and the ability to expand to an additional 2,000 paved spaces. The intermodal shipper facility is located 45 miles southwest of downtown Houston with property bordering US-59, one of the largest freeways in the Houston area.



related to trespassing. TXOL and KCSR are contacting area law enforcement and emergency responders to offer free Rail Safety for Emergency Responder training and Grade Crossing Collision and Trespass prevention training.



## KCS invests in “green” locomotives; Repowers 27 locomotives for greater fuel efficiency, reduced emissions

In June, KCS accepted the first two of 27 locomotives to be repowered by Electro-Motive Diesel (EMD) this year. The 710ECO™ Repower allows KCS to leverage its existing locomotive fleet by updating older yard and road switchers with the latest microprocessor-controlled locomotive engine technology, for lower emissions, increased fuel economy, greater reliability, easier service ability and predictable maintenance costs.

The 27 locomotives are being converted from approximately 40-year old SD40 and GP40 units to SD22ECO units. Once converted, only the original body and frame remain. Eleven locomotives will be in service on KCSR and 16 on KCSM.

The SD22ECO locomotives minimize fuel consumption while maintaining emissions compliance, producing 25% fuel savings,

50% lube oil reductions and 70% reduction in greenhouse gas emissions, which makes them U.S. Environmental Protection Agency (EPA) Tier II compliant and eligible for both state and federal funding as clean air projects. KCS has received some funding and is seeking more for additional projects.

In addition to greener locomotives, freight rail is already the most efficient and environmentally-friendly way to transport goods. The EPA estimates that every ton-mile of freight that moves by rail instead of by highway reduces greenhouse emissions by two-thirds. A freight train can move a ton of freight 436 miles on a single gallon of fuel and a single intermodal train can haul the load of 280 trucks. Fewer trucks on the road means less congestion, less time in traffic and less money on fuel.



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## Increased export capabilities on My KCS online diversion tool

KCSR has increased the capabilities of the Track & Trace Waybill Inquiry feature in the My KCS section of [www.kcsouthern.com](http://www.kcsouthern.com). With these enhancements, users now have the ability to:

- Correct the Mexican Customs Broker on southbound shipments to Mexico. Previously, users could only add a missing broker, and could not change the entity.
- Add an In Care of Party to a waybill. Previously, an In Care of Party could only be changed if it already existed on the waybill.
- Add the applicable US Freight Forwarder, Canadian Customs Broker and Mexican Customs Broker when a domestic shipment is diverted and made into an export. Previously, these entities were not accessible if they did not already exist on the waybill.

For assistance with the My KCS online tools, contact the KCS E-commerce team at 888-696-2382 or [kcsecommerce@kcsouthern.com](mailto:kcsecommerce@kcsouthern.com).



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

## KCS announces train service to Ports America's Toluca facility

In an April 28 news release, KCS announced the addition of intermodal train service to Puerta México, a new multi-modal facility in Toluca, México. Operated by Ports America, Puerta México is located on KCS' International Intermodal Corridor and offers shippers a convenient alternative to and from the busy México City market.

In addition to train service, Puerta México offers multi-modal terminal services and on-site customs and bonded warehousing facilities to ocean carriers, intermodal and other logistics service providers. With its direct access to KCSM's "N" line, Puerta México will become the terminal of choice for service to and from the central valley, the Port

of Lázaro Cárdenas and the border crossing at Nuevo Laredo/Laredo. With an estimated capacity exceeding 150,000 containers and two million plus tons of cargo per year on more than 130 developed acres, it essentially doubles the intermodal capacity available to the greater Mexican central valley region and alleviates congestion in the region's supply chain. In addition to storage, cross-dock and transloading, the terminal will be a vehicle distribution center.

"KCS is pleased to partner with Ports America to provide train service to the Toluca facility," said KCS president and chief operating officer David L. Starling. "This modern and efficient facility offers an attractive option for the multimodal shipper with access to the industrial heartlands of the U.S. and México via KCS' International Intermodal Corridor."

Ports America chief operating officer Wim Lagaay also commented on the importance of this service.

"The intermodal and related supply chain services that have been made possible by this partnership will bring to the Central Mexican Valley Region world class levels of multimodal service and efficiency," said Lagaay. "The significant investment in this modern facility introduces much needed high-quality capacity to serve this fast-growing and increasingly sophisticated market."



Photo courtesy of Colby Haines.

## KCSR promotes intermodal facility at CIC-KC open house

On April 24, KCSR joined CenterPoint Properties and others at an open house to promote the CenterPoint Intermodal Center-Kansas City (CIC-KC) at the former Richards Gebaur air base. The event was targeted at brokers and site selection advisors.

The CIC-KC features approximately 970 acres for manufacturing, warehousing and distribution facilities. CenterPoint Properties recently completed all site infrastructure improvements in the 315-acre Phase I, and the CIC-KC is a building pad-ready park to accommodate up to five million square feet of facilities adjacent to the recently opened, 370-acre KCSR intermodal facility.

KCS chairman and chief executive officer Mike Haverty, said, "One day, you'll see this facility completely full of warehouses and distribution centers. CIC-KC and the KCSR intermodal facility are a unique combination of development, transportation and public resources, creating in one place a very efficient, transportation-based logistics center at the crossroads of all of North America—Kansas City. KCS is delighted to bring these transportation advantages to Kansas City's new logistics park that is operational and ready to go now."

Kansas City's ideal location at the intersection of the nation's freight transportation network has positioned the area to become a significant distribution hub for international trade. As import and domestic traffic volumes grow from both Mexico and Canada, CIC-KC has become an economically viable location for a variety of distribution-related customers. Direct rail service by KCSM from the Mexican Port of Lazaro Cardenas to the Laredo, Texas gateway where the traffic moves onto KCSR, provides shippers with a very efficient and cost-effective route to the geographic center of the country.



## KCSR, NS offer intermodal option to central Florida

On March 30, KCSR and Norfolk Southern (NS) began offering intermodal container and trailer service from Dallas, Texas to NS' new intermodal terminal in Titusville, Fla. Traffic is routed over KCSR from Dallas to Shreveport, La. and over the KCSR-NS Joint Venture from Shreveport to Meridian, Miss. and over NS from Meridian to Titusville.

Previously, KCSR moved central Florida-destined intermodal freight to Meridian, and NS moved it from Meridian to Jacksonville, Fla.,

where it was trucked to various distribution centers in central Florida. The new routing provides intermodal marketing companies and asset providers a more cost-effective option, which allows KCSR to be more competitive with over-the-road carriers.

An updated Current Intermodal Rate Matrix is now available by going to Customers, Intermodal & International and Intermodal Rates & Charges at [www.kcsouthern.com](http://www.kcsouthern.com).

## International delegation sees Lazaro Cardenas' advantages

On June 15 and 16, KCSR, KCSM, KC SmartPort, CenterPoint Properties and Zimmer Real Estate Services hosted a delegation of shippers, public officials and other stakeholders in a trip to Lazaro Cardenas to highlight and learn more about the advantages of using the Port of Lazaro Cardenas as a gateway to Mexico and U.S. markets. A total of 18 different organizations participated.

The trip began with a reception in Ixtapa on the evening of June 15, which in addition to the delegation, included the ocean carriers who call on the Port. In the reception, delegation members and ocean carriers talked at length with KCSM senior vice president of operations Bill Nolen about the operational efficiencies of the port and along the International Intermodal Corridor.

The next day, the delegation toured the Port of Lazaro Cardenas and heard presentations from the Port Authority of Lazaro Cardenas and Hutchison Port Holdings. Participants had the opportunity to observe the operation first hand and meet Mexican political and business leaders directly involved in the port's development and administration.

"From its strategic location on the West Coast, to natural amenities and access to KCS' International Intermodal Corridor, the advantages for shippers in using the Port of Lazaro Cardenas are many," said KCSR executive vice president sales and marketing Pat Ottensmeyer. "While we're always promoting these advantages when talking with customers, it's more impressive to actually see all it has to offer."

Following the tour, the delegation had lunch with Michoacan Governor Leonol Godoy, secretary of economic development



Eloy Vargas Arreola and eight congressmen. Governor Godoy emphasized the strong commitment of the State of Michoacan, the port and KCS to the development of the port and encouraged shippers to continue or begin using Lazaro Cardenas for their business. Delegation participants had the rare opportunity to speak directly with Governor Godoy about the state's on-going efforts to consolidate Lazaro Cardenas as a world-class port.

"KCSM, the Port and state and federal officials are all working together to maximize the potential of Lazaro Cardenas as an important gateway from Asia to North America, as well as to ensure the safety, security and efficiency of shipments moving through the gateway to the benefit of all stakeholders," said KCSM president and executive representative Jose Zozaya.

Delegation hosts, KCSR, KCSM, KC SmartPort, CenterPoint Properties and Zimmer Real Estate Services, are also involved in various aspects of the development or promotion of the CenterPoint Intermodal Center-Kansas City and CenterPoint Intermodal Center-Houston Metro. The trip was funded by an economic development grant obtained by KC SmartPort.

"The primary objective of this trip was to drive interest in KCS' International Intermodal Corridor and the CenterPoint Intermodal Centers, as well as to promote the benefits that Kansas City offers through its hometown railroad," said KC SmartPort president Chris Gutierrez. "The number of people and organizations interested in taking this trip in today's economic environment speaks to Kansas City's competitive position in the international supply chain."

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## Safety

### Business reviews focus on safety

As a Responsible Care® partner company, KCSR conducts business reviews with individual customers on a regular basis. These reviews typically focus on safety, security, customer service, local operations and transit time performance. The review process is a collaboration of KCSR's sales and marketing, operations and safety team and their counterparts with the shipper. Among other factors, customers often base their selection of a carrier on the carrier's demonstrated ability to handle their shipments safely and securely.

KCSR has been a Responsible Care® partner company since 1999. In 2002, the American Chemistry Council adopted the management system approach for implementing Responsible Care® in the U.S., including mandatory, independent, third-party certification. KCSR received Responsible Care® Management System (RCMS)

certification by formalizing its Health, Safety, Security and Environmental Management System.

RCMS provides a structured framework for assessing needs, setting specific performance goals and sharing information with employees, contractors and the public. RCMS includes requirements for policy and leadership; planning; implementation; operation and accountability; performance measurement and corrective action; and management system review.

To schedule a business review with KCSR, contact your sales and marketing representative or the Customer Solutions Center at 1-800-GO-TO-KCS.

### KCSM reaches out to customers with security message

As part of KCSM's effort to promote the security of rail transportation in Mexico, sales and marketing representatives are approaching several associations, including most recently the steamship lines association, Asociación Marítima de Agentes Navieros y Carga, the plastics association, Asociación Nacional de la Industria del Plástico AC and the steel association, Camara Nacional de la Industria del Hierro y del Acero. In all three cases, security expert for KCSM, Jim Kniestedt, met with customers to explain in detail the railroad's security measures and solid record.

"Our customers have been pleased and reassured to learn of everything we are doing to keep their shipments secure," said KCSM director ejecutivo de ventas y mercadotecnia Gloria Ballesteros. "Our plan is to continue reaching out to customers with this message throughout the year."

To schedule a security presentation, contact Yesica Gloria at [ygloria@kcsouthern.com.mx](mailto:ygloria@kcsouthern.com.mx).



### KCSR receives Harriman gold for three consecutive years

For the third consecutive year, KCSR received the Gold E.H. Harriman Award for Group B (line-haul railroads whose employees worked four to 15 million employee-hours in 2008).

This award is indicative of the safety culture KCSR employees foster through a disciplined focus on rules compliance, coaching, communication and teamwork. Together, the KCSR team is building a world class organization.

The award was presented at a ceremony in Washington, D.C. on May 20. Winners are selected by a committee of representatives from the transportation field and are granted on the basis of the lowest casualty rates per 200,000 employee-hours worked with a formula that accounts for volume of work performed as well as the number of occupational injuries, fatalities and illnesses. All data is documented by the Federal Railroad Administration.

# Performance

## Continuous improvement of the customer experience

Since the opening of the new Customer Solutions Center and Network Operations Center at corporate headquarters in Kansas City, the executive team has been pleased to welcome a number of customers to the building for performance reviews. As part of these visits, leaders of sales and marketing, transportation, customer solutions and other key stakeholders receive

customers; introduce them to the service team; provide a facility tour, overall railroad performance data and a scorecard with performance data specific to the customer; and open a dialogue to discuss future opportunities. These visits show our customers firsthand our commitment to continuously raise the bar for meeting or exceeding their service expectations.

Key Performance Indicators	KCS Consolidated June 30, 2009 Data	Year Over Year Improvement
System Velocity	28.2 mph	12%
Car Cycle Time	6.6 days	13%
On-Time Origination	89%	31%
System Dwell	15.8 hours	14%
Right Car/Right Train/ Right Day	89%	5%

In May, the KCSR and KCSM sales and marketing teams completed training and implementation of a new customer relationship management tool. Now in use by the sales and marketing team, as well as customer service on both sides of the border, the KCSR and KCSM teams are better equipped with the information needed to effectively manage your account and continuously improve the customer experience.

How can we be of service to you? To schedule a customer tour of our new facilities, call your sales and marketing representative or the Customer Solutions Center at 1-800-GO-TO-KCS.

## Compliments to the crew

### Port of Port Arthur, 842nd Transportation Battalion compliment KCSR's service

Recently, Felix Vincent Bartholomew, assistant terminal superintendent of the Port of Port Arthur sent the following complimentary message to several individuals, including KCSR general director sales and marketing Sharon Reeves:

*"The Port, and the 842nd, would like to recognize KCS for doing an outstanding job, during the military movement, on the last three military vessels that discharged at the Port of Port Arthur. In particular, your new terminal trainmaster Jody Brown and his team's efforts have made the joint operation flow WITHOUT ANY issues or delays. Within the past month, KCS has spotted, pulled and communicated movements of over 300 military railcars to exact spots and locations. In doing so, the Port, the 842nd and several additional parties were able to meet mission accomplishment before deadlines and expectations. Again, we are thankful for KCS' outstanding commitment to duty and cutting edge customer service."*



In a separate note, Fran Willis transportation officer of the 842nd Transportation Battalion said:

*"I would like to also extend Kudos's to your trainmaster's flawless movements and great communication for Jody and company. Jody, I'd like to come down sometime next week and extend our personal thank you when it's convenient for you."*

Special thanks to the KCSR team in Port Arthur, Texas for the commitment to providing outstanding customer service.

## Personnel on the move

### KCSR

#### Darin Selby

KCSR has announced the appointment of Darin Selby as assistant vice president coal and short line partner relations. Selby has been assistant vice president sales and marketing for the coal business unit since 2006. The new title represents an expansion of his responsibilities focusing on developing stronger relationships with KCSR's short line business partners.

KCSR's goal for this position is to enhance short line relations through several initiatives. These include creating strategic plans for jointly developing new business; streamlining communications for efficient and effective resolution of matters by establishing a single point of contact at KCSR; and using new technology and online resources to monitor and manage a variety of projects.

"Darin is uniquely qualified to take on this new assignment," said KCS executive vice president sales and marketing Patrick J. Ottensmeyer. "His background encompasses short line and Class I operations, sales and marketing and customer service, bringing valuable experience and perspective for strengthening relations with these important business partners."

### KCSM

**Norma Quiroz Garcia** was promoted from ejecutivo de ventas key to gerente cuentas de gobierno in Mexico, D.F.

Gerente de ventas **Manuel Baker Ortegon** transferred from the automotive to the intermodal business unit.

## KCSM, City of Nuevo Laredo highlight infrastructure upgrades

On April 6, KCSM president and executive representative Jose Zozaya, Ramón Garza Barrios, alcalde (mayor) of Nuevo Laredo and aldermen and representatives for the city council of Nuevo Laredo hosted inaugural events for the installation of new signals on the BJ line and Highway to Anahuac and a new grade separation at Dionisio Carrion. These upgrades will significantly enhance public safety, as well as the safety and efficiency of the railroad operation.

“What we’re witnessing here is just a sample of the cooperation between city and state government and KCSM,” said Zozaya. “KCSM is committed to the community and thanks to support from the City of Nuevo Laredo—we’re celebrating the improved safety that will result from this grade separation and new crossing signals.”

Zozaya also provided an update on the construction of six more grade separations and the progress of the project to construct a new international bridge.

The mayor acknowledged Zozaya and KCSM for the ongoing support of public safety initiatives and infrastructure improvements to Nuevo Laredo.

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## KCSM lends security expertise to AmCham committee

On March 31 in Monterrey, the American Chamber of Commerce (AmCham)—Overseas Security Advisory Council (OSAC) hosted KCSM security expert Jim Kniestedt as a guest speaker at its planning meeting, where he addressed the importance of expecting the unexpected and contingency planning in the event of a security crisis. AmCham-OSAC is hearing from a variety of experts in order to formulate a best practices manual in the area of corporate security.

The AmCham-OSAC committee was established by the U.S. Department of State in 1985 to foster the exchange of information between American companies with overseas operations, other AmCham members and the U.S. government. Since then, OSAC has become an effective vehicle for security cooperation. Today, the AmCham-OSAC committee promotes security cooperation and timely exchange of security information between the U.S. Embassy and the U.S. private sector and other member companies in the host country.

### E-Commerce Teams

[kcsecommerce@kcsouthern.com](mailto:kcsecommerce@kcsouthern.com)

U.S. 800.468.6527

Mexico 01-800-509-1559

## KCSR sponsors TransCAER events in Missouri, Texas

In April and May, the 2009 Missouri Ethanol TransCAER Tour made stops in eight Missouri communities. KCSR sponsored the May 7 Laddonia stop, attracting more than 50 area emergency responders. Transportation Community Awareness Emergency Response (TransCAER) is a nationwide community outreach program designed to address community concerns regarding the transportation of hazardous materials, through planning and cooperation.

At these events, local emergency responders receive instruction on the safe transportation of hazardous materials and emergency procedures aboard a specially designed hazmat safety training train. Instruction topics include emergency contacts, tank car damage assessment, how to approach a rail accident, securing rail hazmat data, emergency locomotive shutdown, spill mitigation techniques and other related topics.



The hazmat safety train is comprised of five specially-equipped cars for hands on training. The consist includes high and low pressure tank cars and a car with a variety of manways to demonstrate the handling of leaks caused by non-accident releases.

In mid-April, KCSR sponsored similar events in Corpus Christi, Texas. KCSR’s participation in TransCAER events is consistent with its status as a Responsible Care® partner.

## KCSM, KCSR address flu

As a responsible corporate citizen doing business in the U.S. and Mexico, following news reports of the swine flu, KCSM and KCSR reacted swiftly to reduce the risk of possibly spreading the virus, while at the same time continuing essential operations and serving our customers. KCS stayed in close contact with public officials, shippers and employees in the U.S. and Mexico, restricted employee travel and participation in large gatherings, limited exposure to employees or visitors who had been traveling and provided a daily deep-cleansing of facilities in Mexico. Fortunately, no cases of the swine flu were reported in employees either north or south of the border, operations remained at normal levels and customer service was not compromised.

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