

# KANSAS CITY SOUTHERN DE MÉXICO

MONTES URALES NO. 625, COL. LOMAS DE CHAPULTEPEC C.P. 11010, MÉXICO D.F.



January 13 2017

Dear Loyal KCSM Customer [[TMXU shippers (including shippers who also ship non-TMXU and TMXU)]]:

In early 2016, Intermodal customers were converted to an “all-in” linehaul rate, where a fixed fuel surcharge was included in the linehaul rate<sup>1</sup> paid by customers (“*Linehaul Option*”). As announced on December 20, 2016, KCSM is working to provide Intermodal customers with options regarding the assessment of fuel surcharge in Mexico. In light of the increase in average diesel prices in Mexico that became effective on January 1, 2017, we are adjusting “all in” pricing related to the Linehaul Option to reflect the March 2017 fuel surcharge factor per mile, which will be based on January 2017 diesel fuel prices. Our teams will issue updated pricing in early February. If you have already made your letter selections in response to the December 20, 2016 letter, please resubmit your preferences to acknowledge the revised implementation timeline.

Beginning on March 1, 2017, Kansas City Southern de México, S.A. de C.V. (“KCSM”) customers may convert their northbound TMXU shipments moving under rate authorities **other than** KCSM T 1800 or KCSM T 1908 (“Eligible TMXU Shipments”) to a fuel surcharge option that disaggregates the fuel surcharge from the linehaul rate (“*Alternative Option*”).<sup>2</sup>

Selection of the “Alternative Option” will require EDI billing changes as KCSM will no longer publish the interline rate for “Eligible TMXU Shipments”. Instead, The Kansas City Southern Railway Company (“KCSR”) will publish rates for such shipments, and KCSR’s OHD/Percentage - U.S. Intermodal fuel surcharge method (described at <http://www.kcsouthern.com/en-us/customer-resources/fuel-surcharge>) will apply to this traffic. So please contact your KCSR Sales Account Manager for EDI billing details. For those shippers moving to a per mile fuel surcharge method on non-TMXU traffic on March 1<sup>st</sup>, 2017, “Eligible TMXU Shipments” will automatically be converted from the Linehaul Option to the “Alternative Option” regardless of your selection below.

If your business will not accommodate changes to “Eligible TMXU Shipments”, you may choose to remain subject to the existing “Linehaul Option”. Please be advised that for shippers subject to the existing “Linehaul Option”, the total amount per shipment paid to KCSM would fluctuate only at the time of annual renewal versus under the Alternative Option, where the total amount would change weekly as fuel changes.

On the following page, we kindly request by February 20, 2017 your mark and signature indicating your desired fuel surcharge method for shipments with waybill effective date of March 1, 2017. A failure to respond by the deadline will result in a continuation of the current Linehaul Option on your business. The fuel surcharge method that you select below shall remain in effect for your business unless you request a change in writing, which change shall become effective on the next rate renewal date.

Sincerely,

A handwritten signature in black ink, appearing to read "Erik Bo Hansen".

Erik Bo Hansen  
Vice President, Intermodal  
[EHansen@KCSouthern.com](mailto:EHansen@KCSouthern.com)

<sup>1</sup> The “linehaul rate” is the rate applicable to the Public Rail Freight Transportation Services (SPTFC). Under the existing Linehaul Option, the Reduction on Linehaul Rate Discount due to Fuel Price variation (RDD) reflects the price of fuel as of January 2016.

<sup>2</sup> There will be no changes to the fuel surcharge program or EDI billing requirements on southbound TMXU shipments. Also, northbound TMXU shipments moving pursuant to KCSM T 1800 or KCSM T 1908 shall continue under the Linehaul Option, regardless of your selection below.

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\_\_\_\_I, representative of Company noted below, want to opt out of the “Linehaul Option” with respect to my “Eligible TMXU Shipments” and acknowledge that EDI billing changes are required to show KCSR as the billing carrier for such traffic from the waybill effective date of March 1, 2017. I understand that KCSR’s OHD/Percentage - U.S. Intermodal fuel surcharge method (described at <http://www.kcsouthern.com/en-us/customer-resources/fuel-surcharge>) will be applied to this traffic.

\_\_\_\_I, representative of Company noted below, agree and authorize KCSM to assess fuel surcharge on my “Eligible TMXU Shipments” based on the existing Linehaul Option. I agree and understand my total rate will only update annually to reflect fuel costs as of the date of the update.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Printed: \_\_\_\_\_

Company: \_\_\_\_\_