

KANSAS CITY SOUTHERN

MAILING ADDRESS: P O BOX 219335 • KANSAS CITY MO 64121-9335

PATRICK J. OTTENSMEYER
PRESIDENT AND CHIEF EXECUTIVE OFFICER
PHONE: (816) 983-1702



FOUNDED 1887
www.kcsouthern.com

May 20, 2020

The Honorable Ann D. Begeman
Chairman, Surface Transportation Board
395 E Street SW
Washington, D.C. 20423-0001

VIA EMAIL – Ann.Begeman@stb.gov

Dear Chairman Begeman:

Thank you for your letter dated May 7, 2020, providing Kansas City Southern (KCS) an opportunity to share with you and the Board our preparedness to meet anticipated future demand as the North American economy begins to reopen and KCS' measures to enhance communication with our shippers and other stakeholders regarding service performance and operating conditions. As requested, KCS will report demurrage and accessorial charge revenues quarterly for 2020 on the same schedule as in 2019.

Regarding our availability of train crew, yard, and maintenance employees and equipment resources, KCS has been managing resources to align with our volume outlook. In the US we currently have approximately 16% of our US T&E workforce and 14% of our mechanical workforce in furlough status. These employees remain eligible for recall as needed to support changes in volume. We currently have 27% of our total locomotive fleet in storage with 16% in 'surge storage', meaning this fleet can be returned to service in relatively short order. The remaining are in 'long term storage', typically defined by units in need of repairs, or awaiting overhaul work. These units could be returned to service with a longer lead time.

Our maintenance of way forces remain largely unchanged as we continue planned infrastructure maintenance work, taking advantage of better available track time afforded by reductions in train volumes.

Rail cars for all commodities remain in adequate supply with a large amount of rail equipment in online storage status, and sufficient numbers of all car types remain available to allow for volume growth.

Our service metrics continue to be strong. We have assets strategically positioned in Mexico to start hauling autos as Mexican auto plants and part suppliers come back on line. Grain train

volume is heavy. Coal is steady and we brought some additional car sets on line to support a customer's buildup of its stockpiles as it gets ready for summer.

Interchanges with other carriers are working well. KCS trains operating through Houston are down about 50%. Some of this is volume related to the slow down and some a result of changes to our Transportation Service Plan (TSP) and planned train consolidation designed to maintain and improve service levels through the changing volume environment.

During this period of slow down, KCS has been able to fine tune our operations and looks forward to improved efficiency even when volumes recover.

Regarding communication with our shippers and other stakeholders about service performance and operating conditions, KCS continues to follow our Vision and Values during this challenging time to be the fastest-growing, best-performing, most customer-focused transportation provider in North America. We always prioritize a commitment to safety. We strive to consistently meet or exceed our customer expectations and deliver on our commitments to them. And, we support an environment of open and honest communication in which transparency of information and diversity of perspective are valued by the company.

Consistent with these values, KCS provides daily reports on market and customer changes to the KCS COVID-19 Response Team, which facilitates tight, coordinated interdepartmental communications throughout the company. We have and continue to listen to our customer's needs and their requests, looking for mutually beneficial solutions to opportunities and problems. In addition, we utilize market indicators and news to set strategies for meeting evolving customer needs.

We conduct regular calls with customers to exchange important information including, but not limited to, shipping forecasts and adjustments, equipment availability and planning, storage capabilities, service, etc. While all KCS business units are engaged in this enhanced communication, some of the hardest hit units, including automotive, refined fuels, energy, construction products, and metals, are most heavily engaged in this process.

KCS participates in planning with other Class I's to effectively manage equipment supply and positioning to prevent or reduce congestion during the current economic lull and anticipated recovery.

Acknowledging the rapid reductions in demand and volumes, we have adapted accordingly to ensure the efficient use and performance of the railroad. We actively communicate our plans and corresponding service changes with our customers regarding improvements to on-time performance, reduced dwell, improved velocity, etc. and demonstrating how those service improvements benefit our customers.

We believe our team and our customers are working well together, communicating in a transparent and collaborative fashion. Everyone wants to get through this unprecedented situation as quickly and smoothly as possible and be prepared for recovery. Most importantly,

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we recognize that we are mutually motivated, railroad and shipper, to resume near-to-normal shipping volumes and patterns, and believe that we are aligned with our customers to do so.

I hope this is responsive to your request, and provides you and the Board a sense for how KCS is dealing with the current situation and planning with our customers for recovery. Please let us know if we can provide any more specific information on any of these topics.

Very sincerely,



Patrick J. Ottensmeyer
President & CEO
Kansas City Southern

PJO/wjb