



Cross Border Update

August 30, 2011



CenterPoint Properties®



The KCS Cross Border Network



KCS International Intermodal Corridor



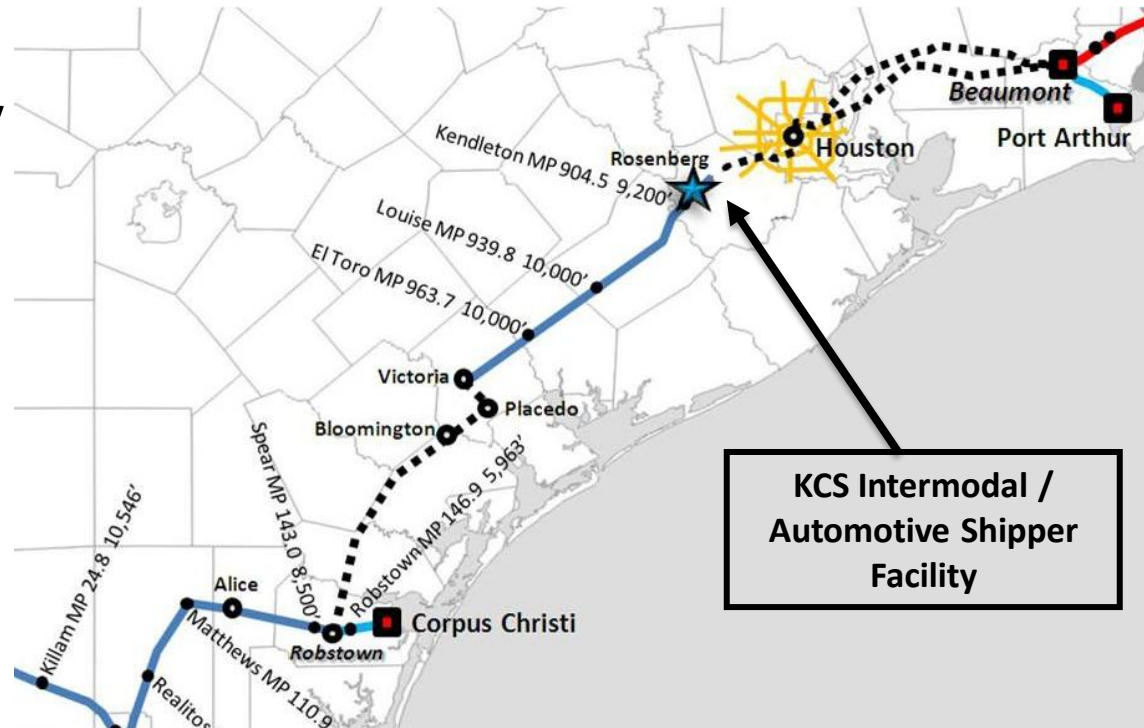
Achieving Cross Border Success

- Mainline infrastructure
- Terminal infrastructure
- Channel strategy
- Network density and velocity
- Market access



Critical Impact of Victoria – Rosenberg

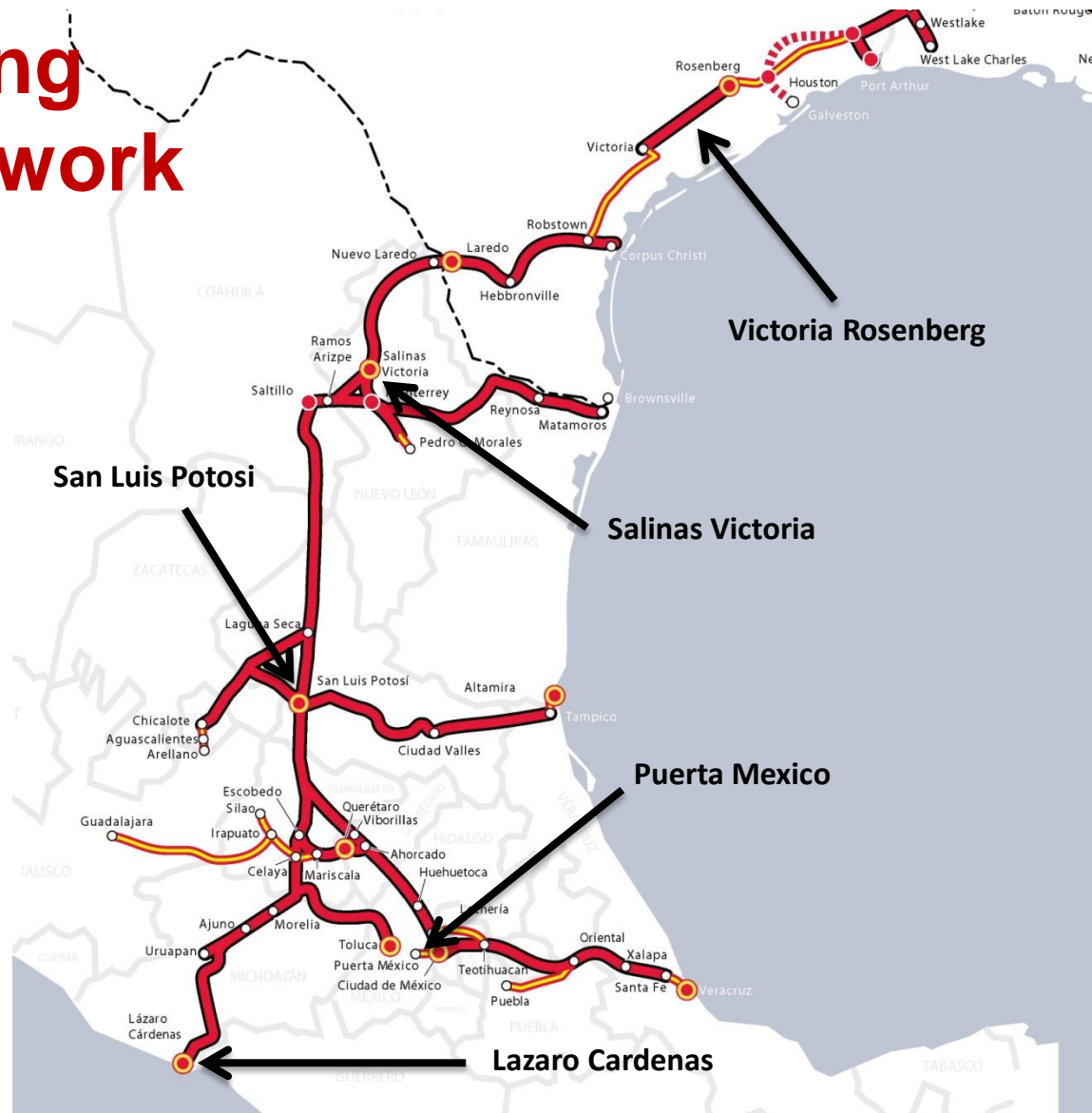
- Shorter route improved transit speed and consistency
- Enabled cross border access to the Houston market
- Reduced route congestion
- Reduced cross border line-haul cost



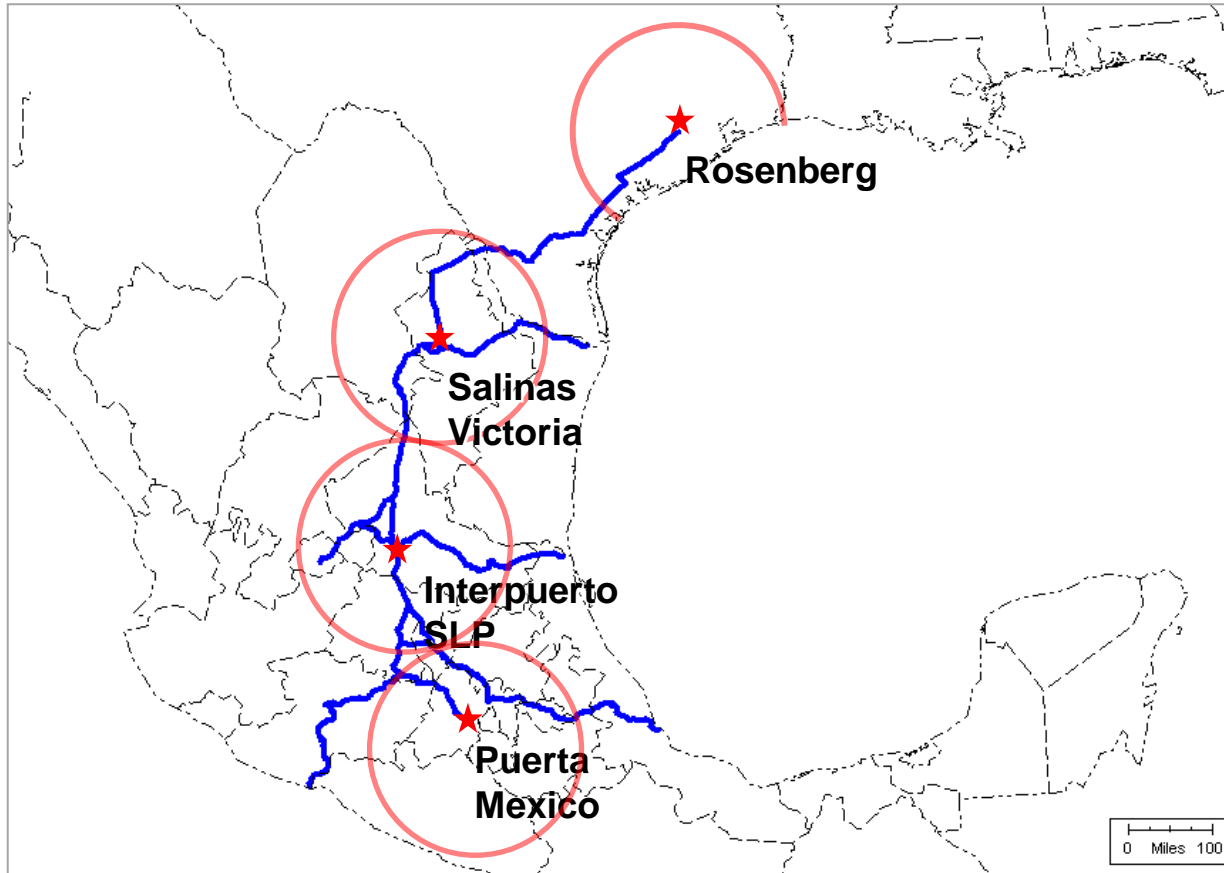
Capital Spending Cross Border Network

Between 2008 and 2011 (full year estimate), KCS projects it will **have invested more than \$275 million** on the Houston to Lazaro Cardenas cross border corridor alone.

- 100 mile track expansion at **Victoria Rosenberg**
- Significant expansion and upgrade at **Salinas Victoria (Monterrey)**
- Planned investment at intermodal facility at Interpuerto in **San Luis Potosi**
- Upgraded and expanded intermodal layout at **Puerta Mexico**
- Upgrades and expansion in **Lazaro Cardenas**
- Continued investment in **lift equipment at various locations**



Key Cross Border Intermodal Coverage



*Kansas City
Southern covers
60 percent of
Mexico's
population
and
63 percent of
Mexico's GDP.*



Effective Channel Strategy



2011



2007



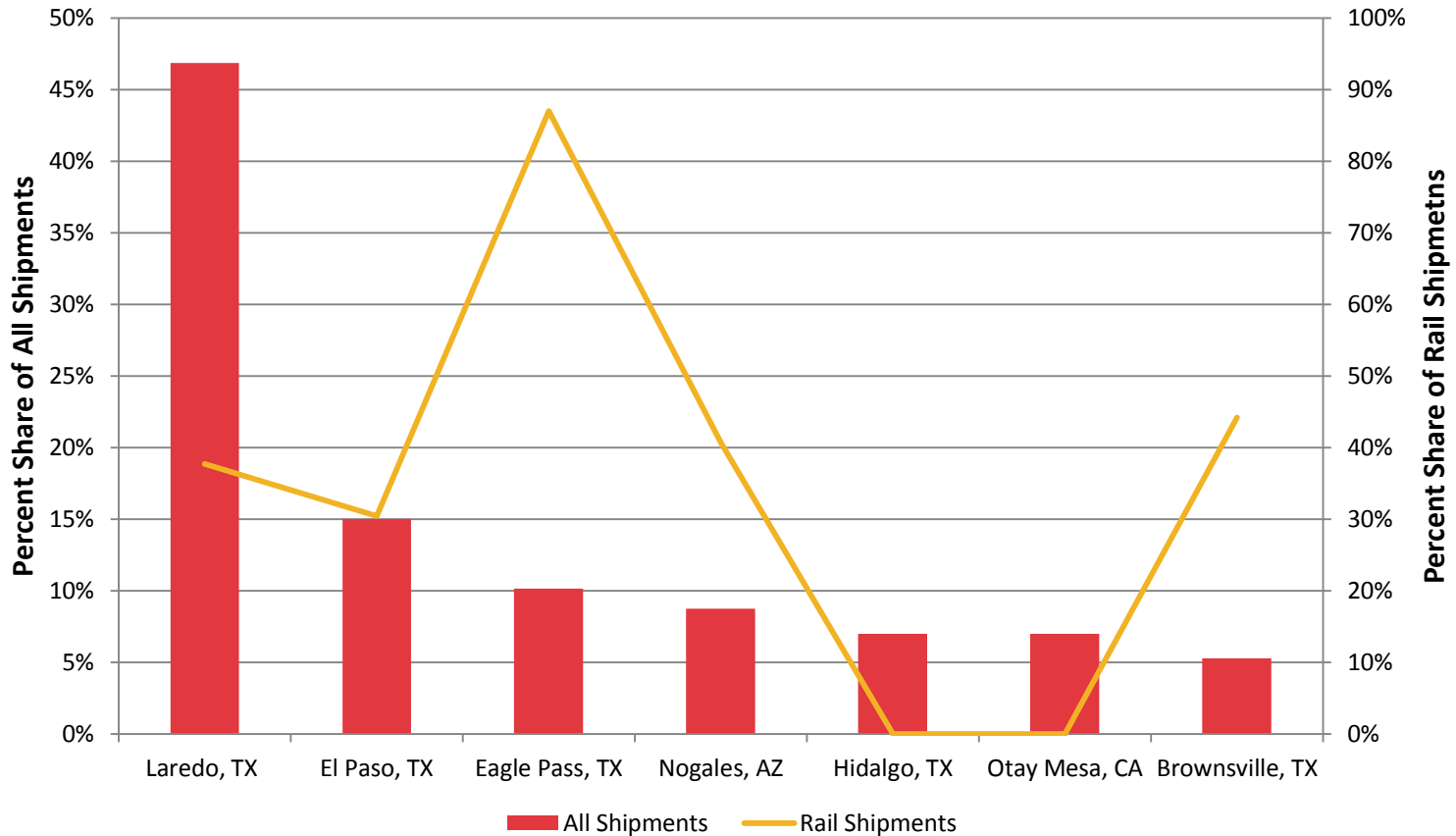
Intermodal Border Crossing Cost Advantage

Border Crossing Event / Other Costs	Truck		Rail		Cost Difference
	Clearance	Cost	Clearance	Cost	
Forwarder / Warehouse Maneuvers	Yes	\$100	No	\$0	(\$100)
Dray Across Bridge	Yes	\$115	No	\$0	(\$115)
Electronic Processing	Yes	\$25	Yes	\$25	\$0
Seals	Yes	\$5	Yes	\$5	\$0
Total Costs		\$245		\$30	(\$215)



Laredo, TX is the Leading Border Crossing

2010 U.S. Surface Trade by Border Crossing Imports and Exports (Volume)



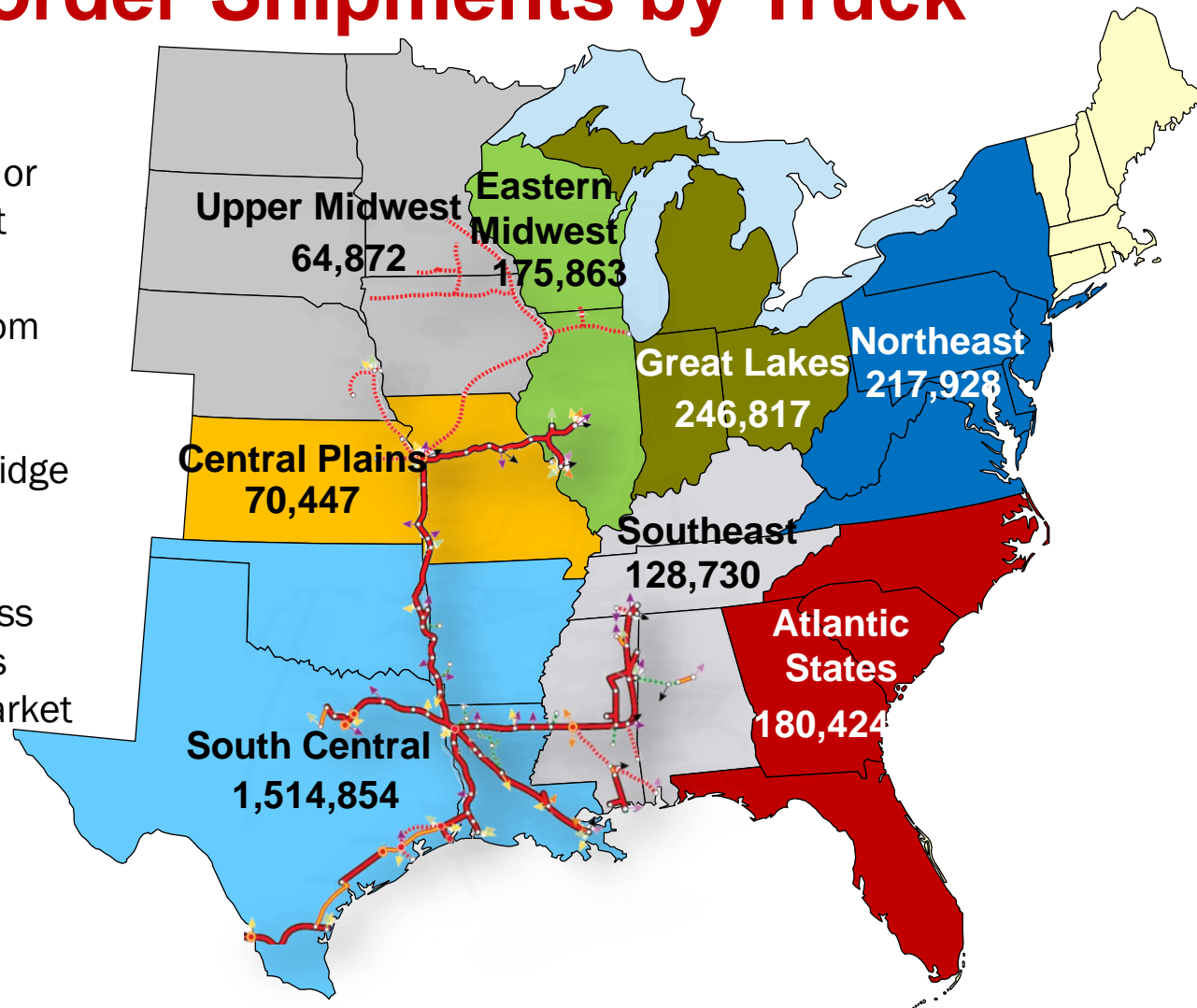
Cross Border Shipments by Truck

2.6 million truckloads originate or terminate in KCS' Target Market

50 percent of loads move to/from locations deep into Mexico

KCS operates the Laredo rail bridge on both sides of border

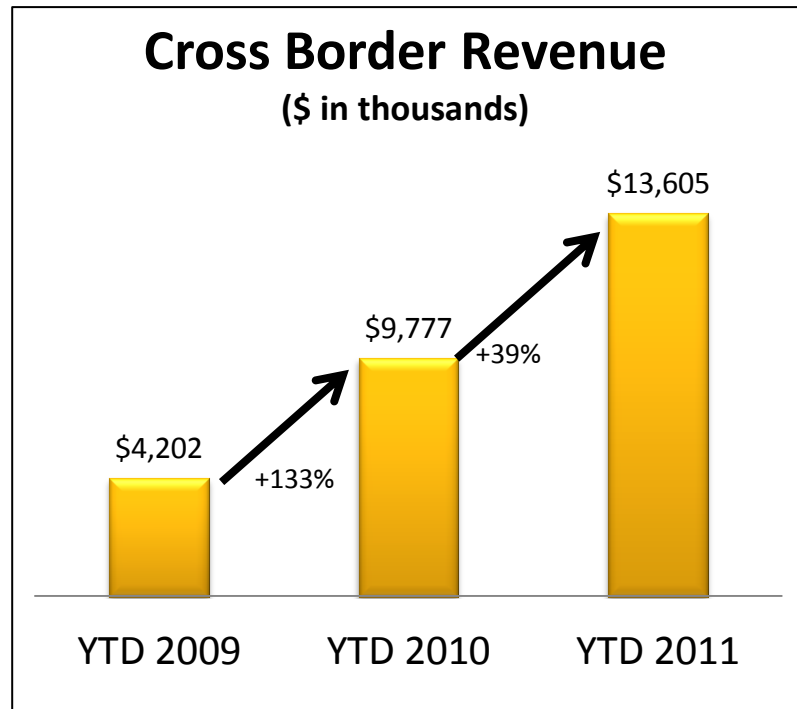
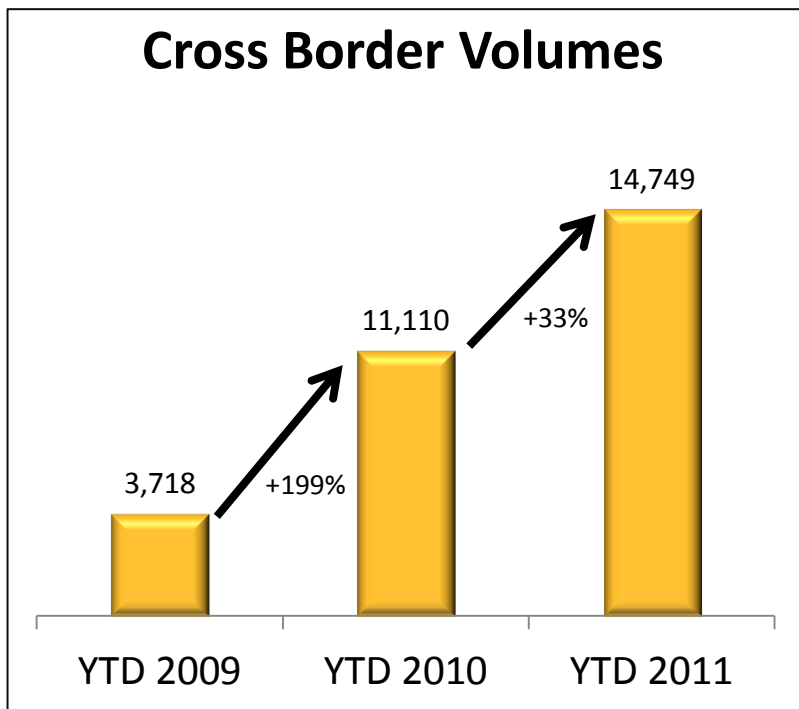
The current KCS intermodal cross border market share represents about 1 percent of available market



Intermodal Cross Border



KCS Intermodal Cross Border Growth

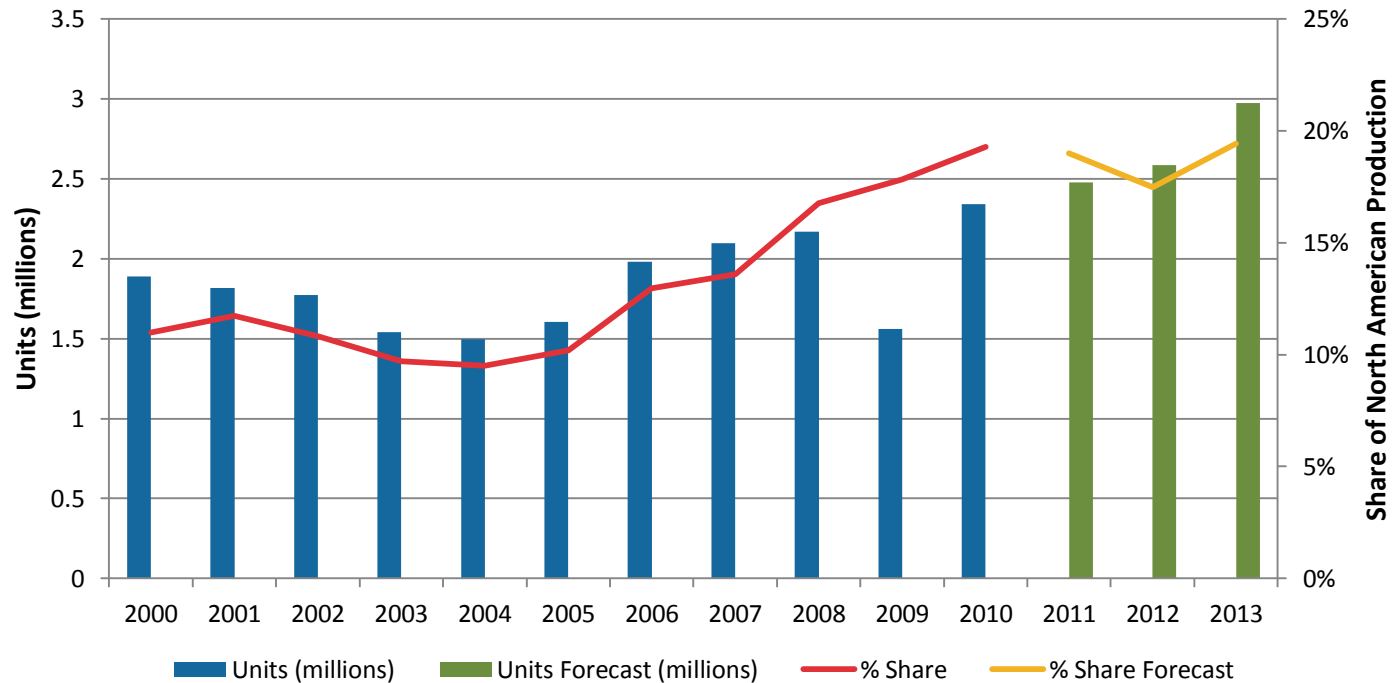


(*Data projected through August 31, 2011)



Between 2005 and 2013, Mexico's Auto Production is Projected to Double

Mexican Automobile Production



Mexican Automotive Opportunity

KCS currently serves ten automotive plants in Mexico.

- OEMS in site selection
 - *Mazda*
 - *Toyota*
 - *Tata Motors*
- Plant expansion projects
 - *Chrysler Flat Toluca*
 - *VW Puebla*
 - *Ford Cuautitlan*
 - *GM SLP*
- Increased production creates new cross border part and vehicle opportunities



Port of Lazaro Cardenas

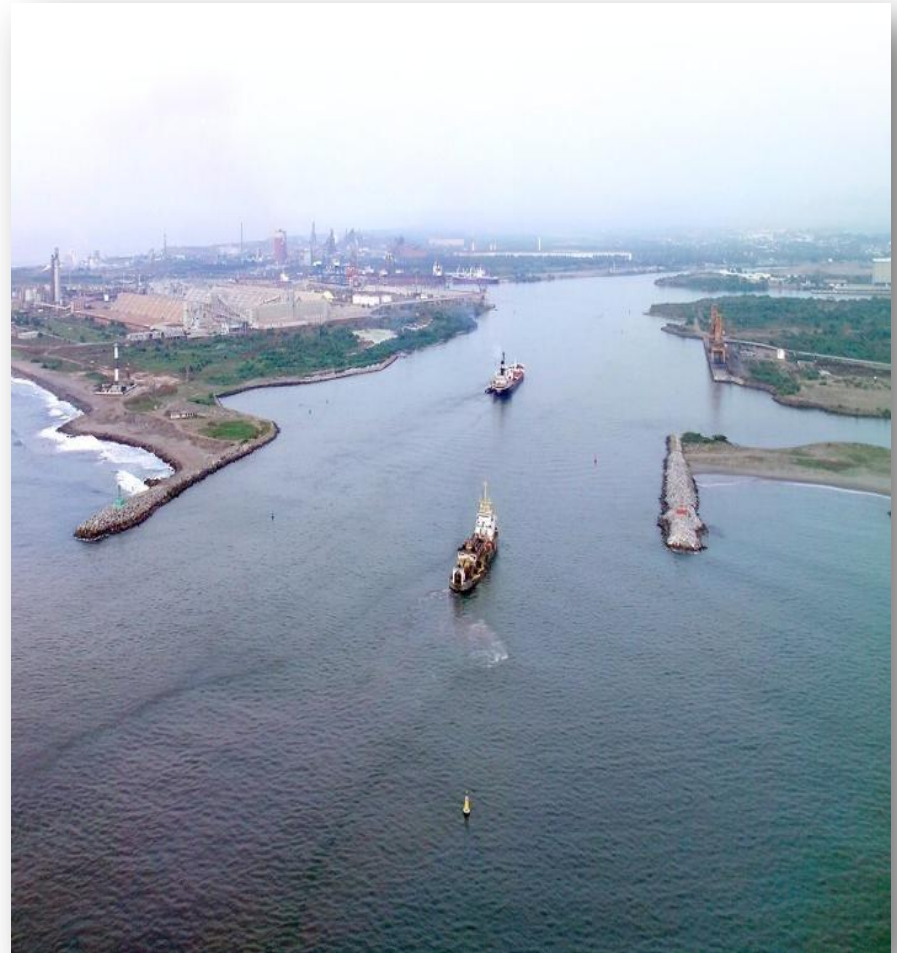


Port of Lazaro Cardenas



The Lazaro Cardenas Advantage

- No environmental issues/fees
- No infrastructure issues/fees
- Productive workforce
- Pro-business local government
- State of the art port infrastructure
- Natural deep water port – maximum vessel flexibility
- Ample land for future terminal expansion



Lazaro Cardenas Growth Plans

New
Container
Terminal



Bulk Facility



Nine Major Ocean Carriers at Port of Lazaro Cardenas



MAERSK

CCNI

HAMBURG SÜD



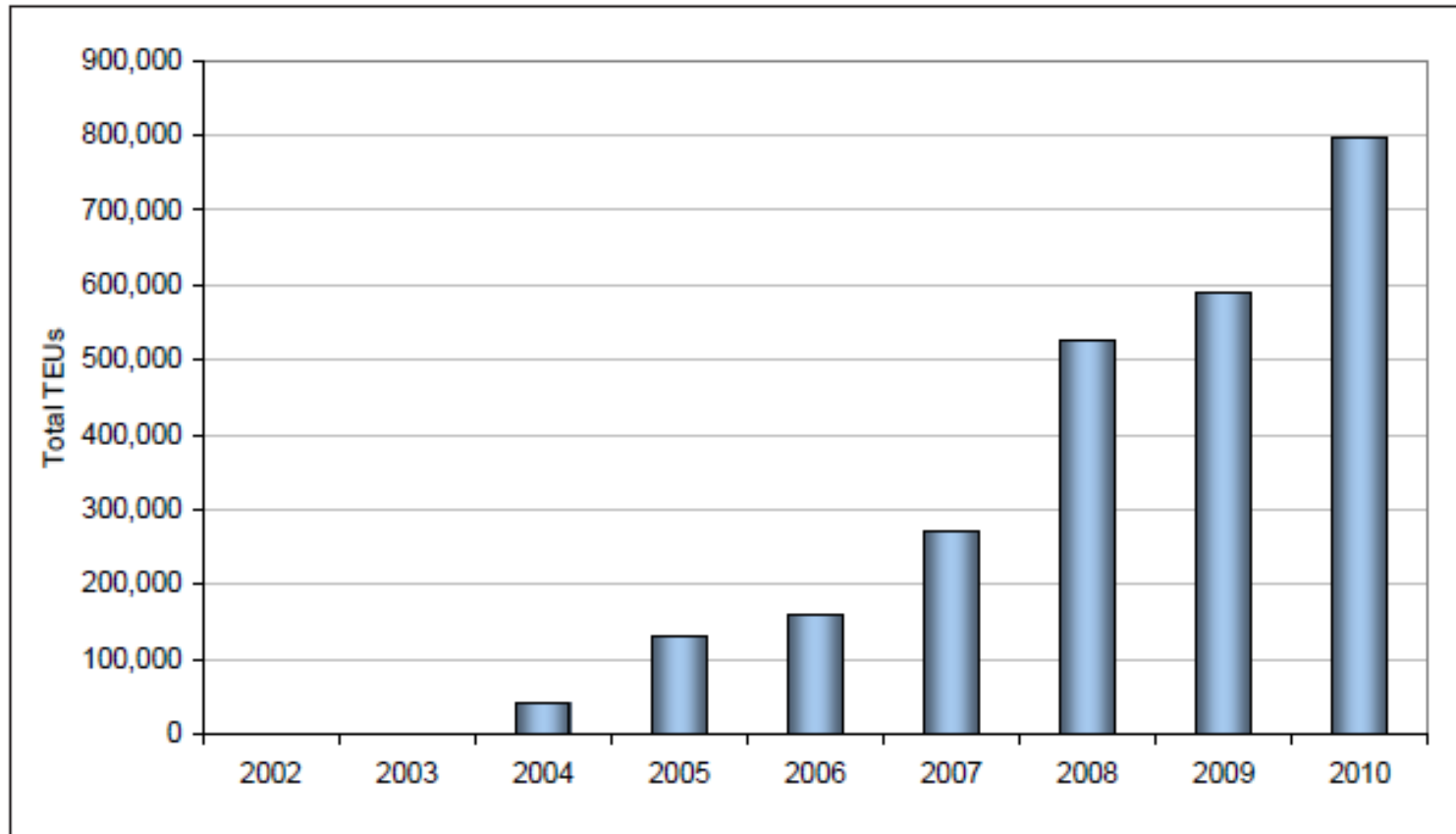
Moving Business Forward



Phase Two Infrastructure

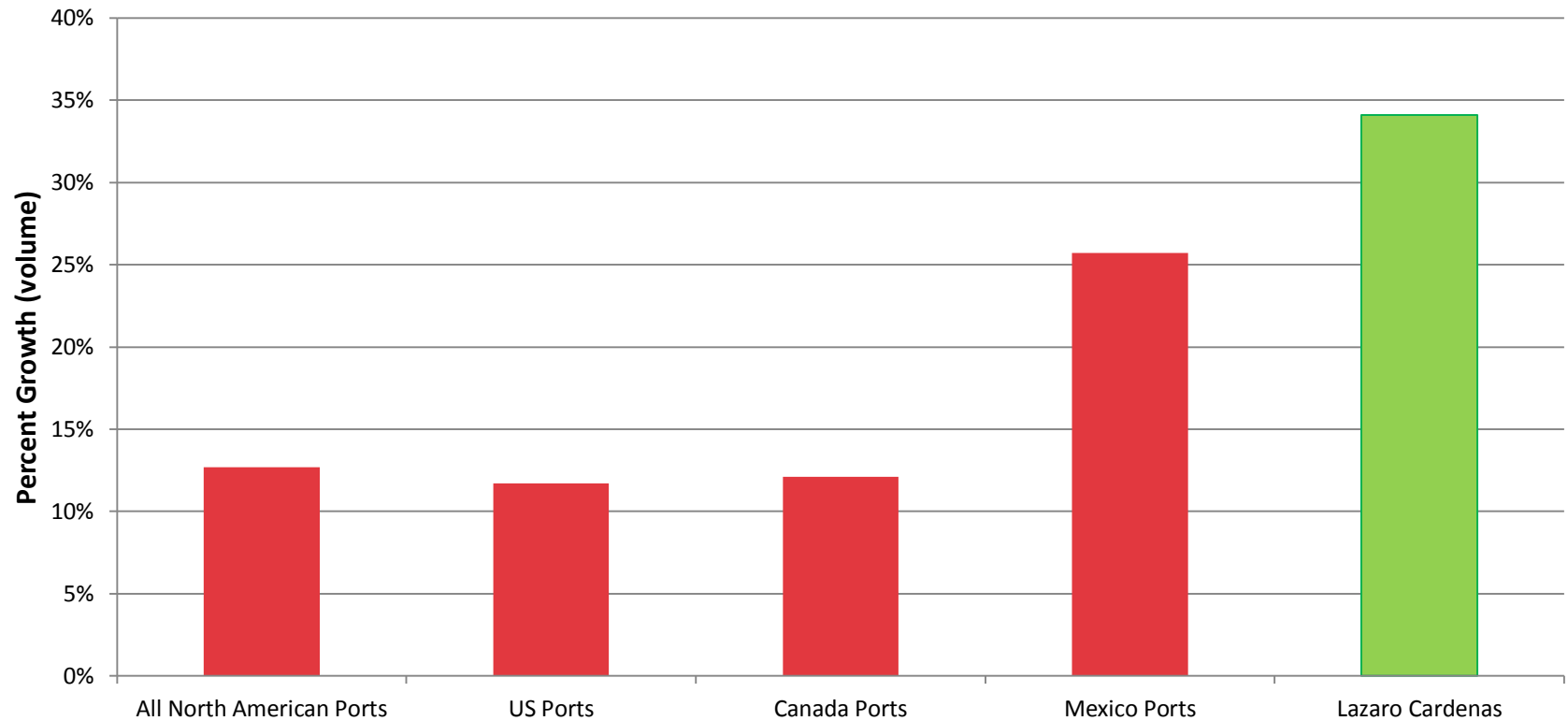


TEUs Growth at Lazaro Cardenas

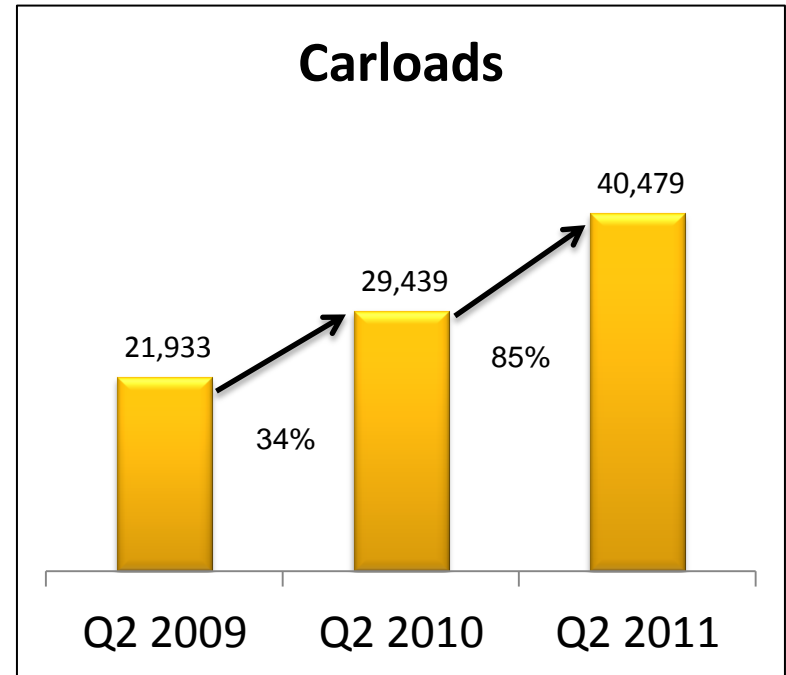
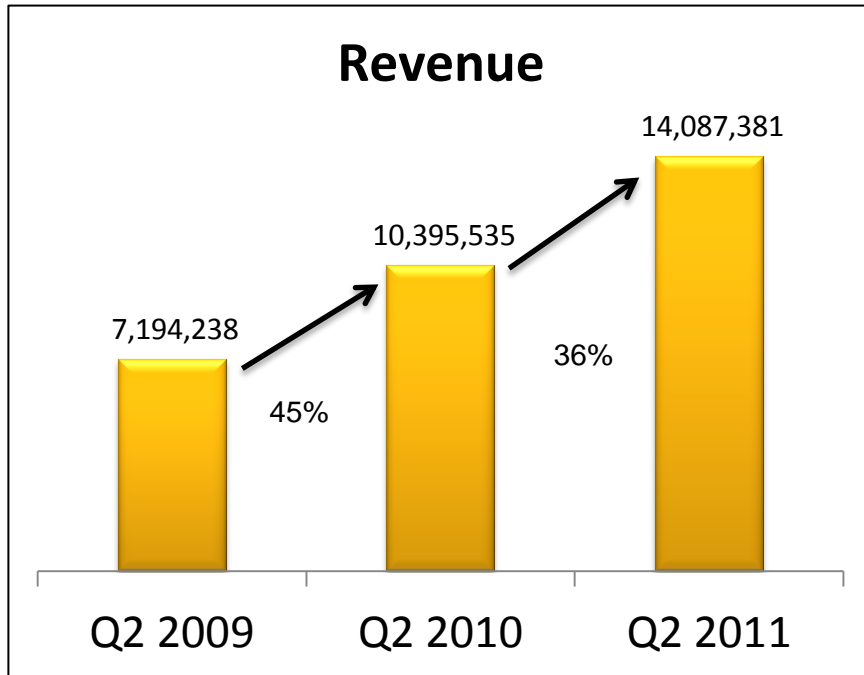


Lazaro Cardenas is the Fastest Growing Container Port in North America

North American Container Ports
2010 Year over Year Growth



KCS Lazaro Cardenas Growth



The Lazaro Land Bridge Route Advantage

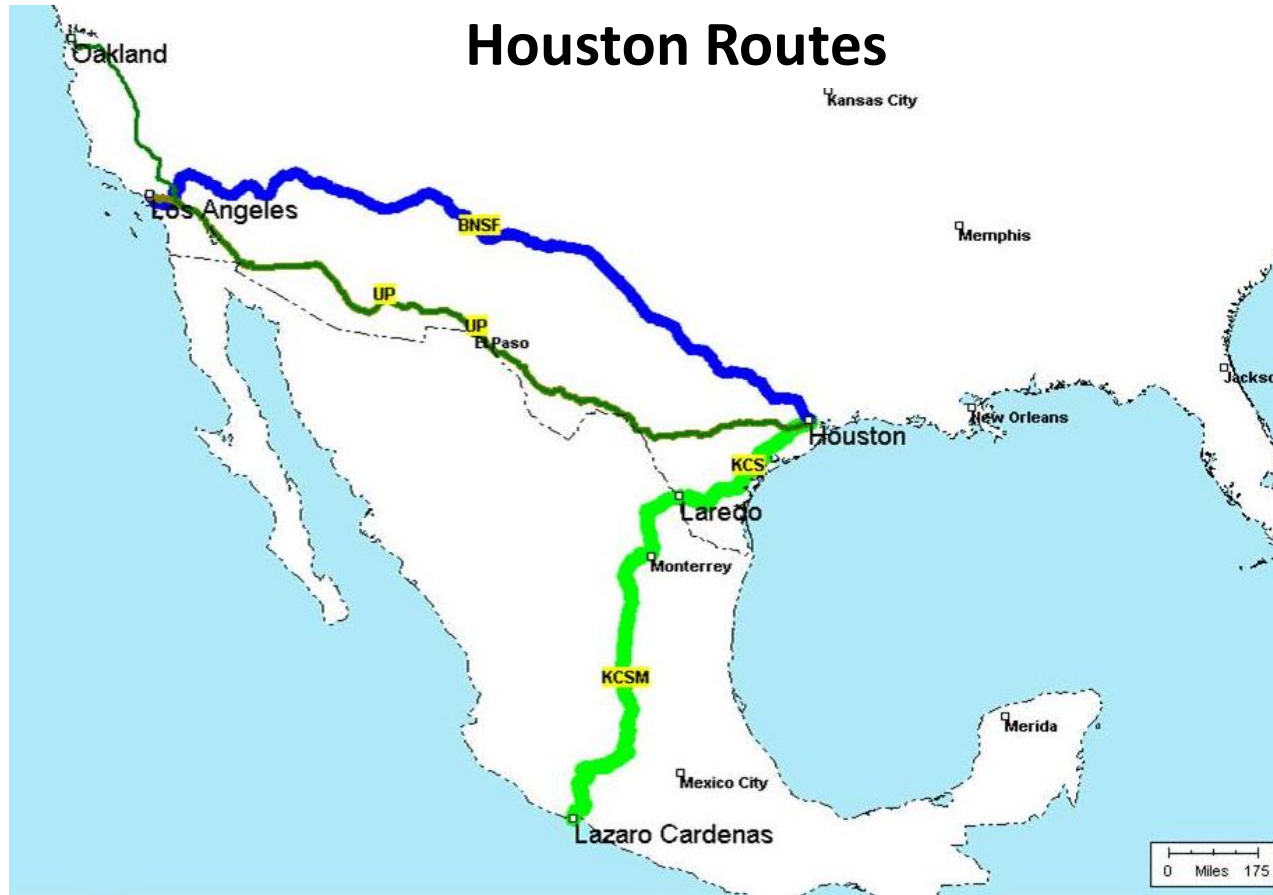
The Lazaro Cardenas – Houston route is 335 rail miles shorter than the LA – Houston Route.

Oakland to
Houston on UP:
2,050 miles

LA to Houston
on BNSF:
1,755 miles

LA to Houston
on UP:
1,633 miles

Lazaro Cardenas
to Houston:
1,298 miles



Transit Through Lazaro Cardenas is 16 percent Lower than Southern California

Sample Total Route Costs From Shanghai to Houston (Per FEU)

Cost Area	Southern California	Lazaro Cardenas	Cost Difference
Ocean Carrier			
Vessel ¹	\$1,338	\$1,590	\$252
Total	\$1,338	\$1,590	\$252
Marine Terminal			
Asia Terminal	\$250	\$250	\$0
US/MEX Terminal	\$580	\$160	(\$420)
Rail Lift	\$180	\$80	(\$100)
Total	\$760	\$240	(\$520)
Fees²			
	\$149	\$0	(\$149)
Total	\$149	\$0	(\$149)
Rail Service			
Rail Rate	\$1,425	\$1,325	(\$100)
Fuel Surcharge	\$513	\$315	(\$198)
Total	\$1,938	\$1,640	(\$298)
Grand Total	\$4,435	\$3,720	(\$715)

¹ Average Vessel Costs includes fuel

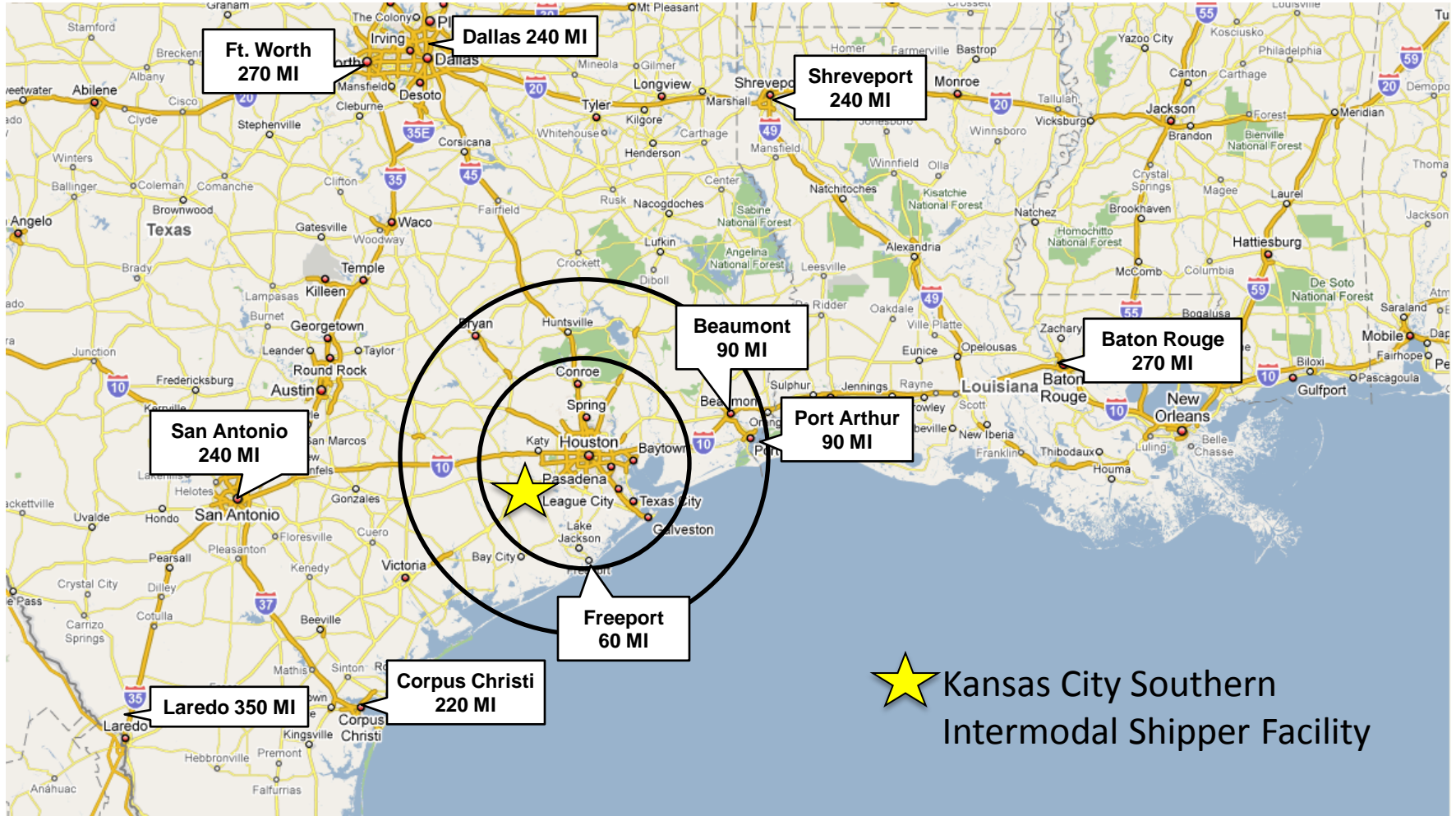
² Alameda Corridor, Security & Harbor Maintenance



Houston Market



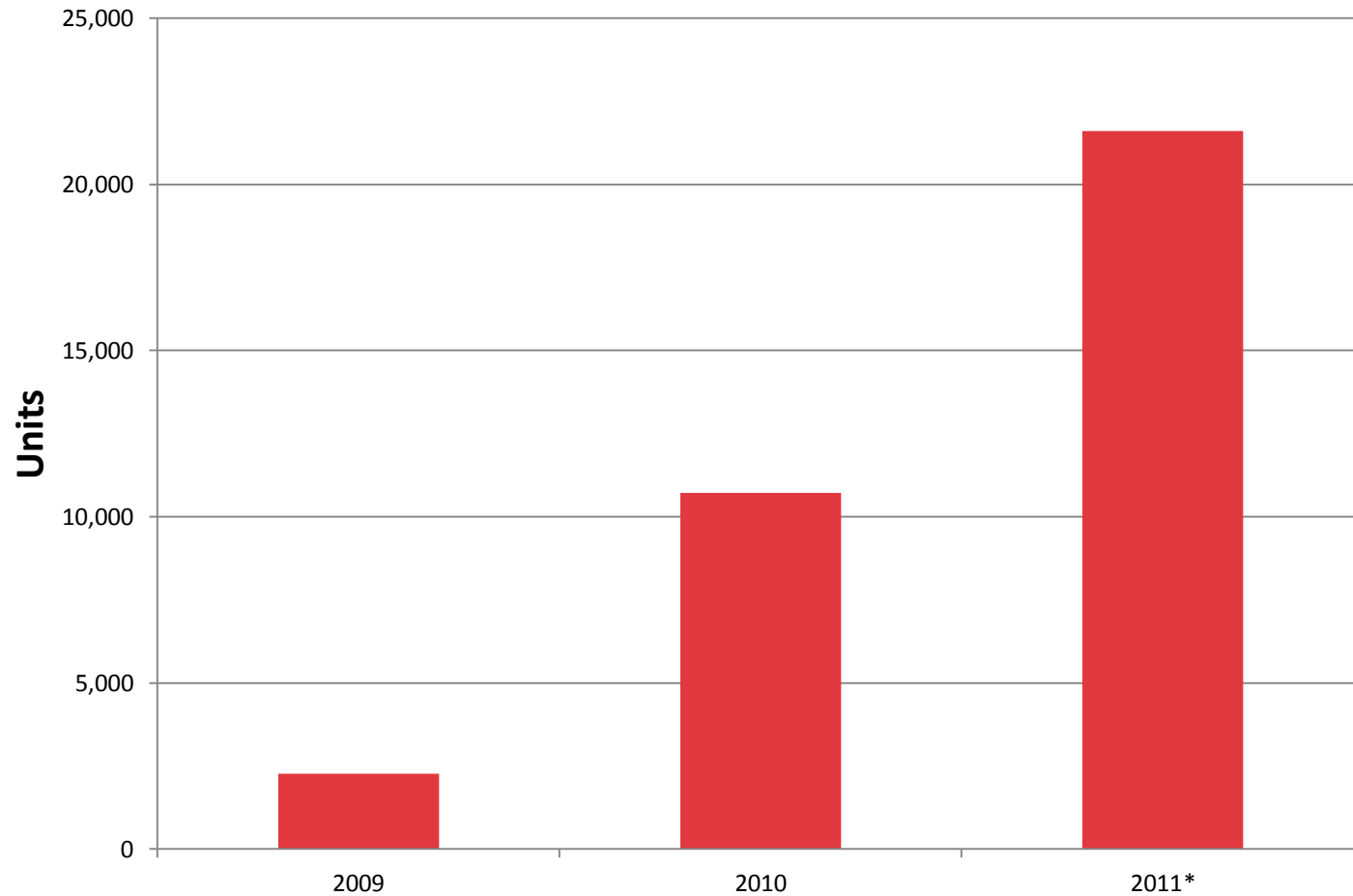
Houston Metro Market Reach



CenterPoint Intermodal Center – Houston



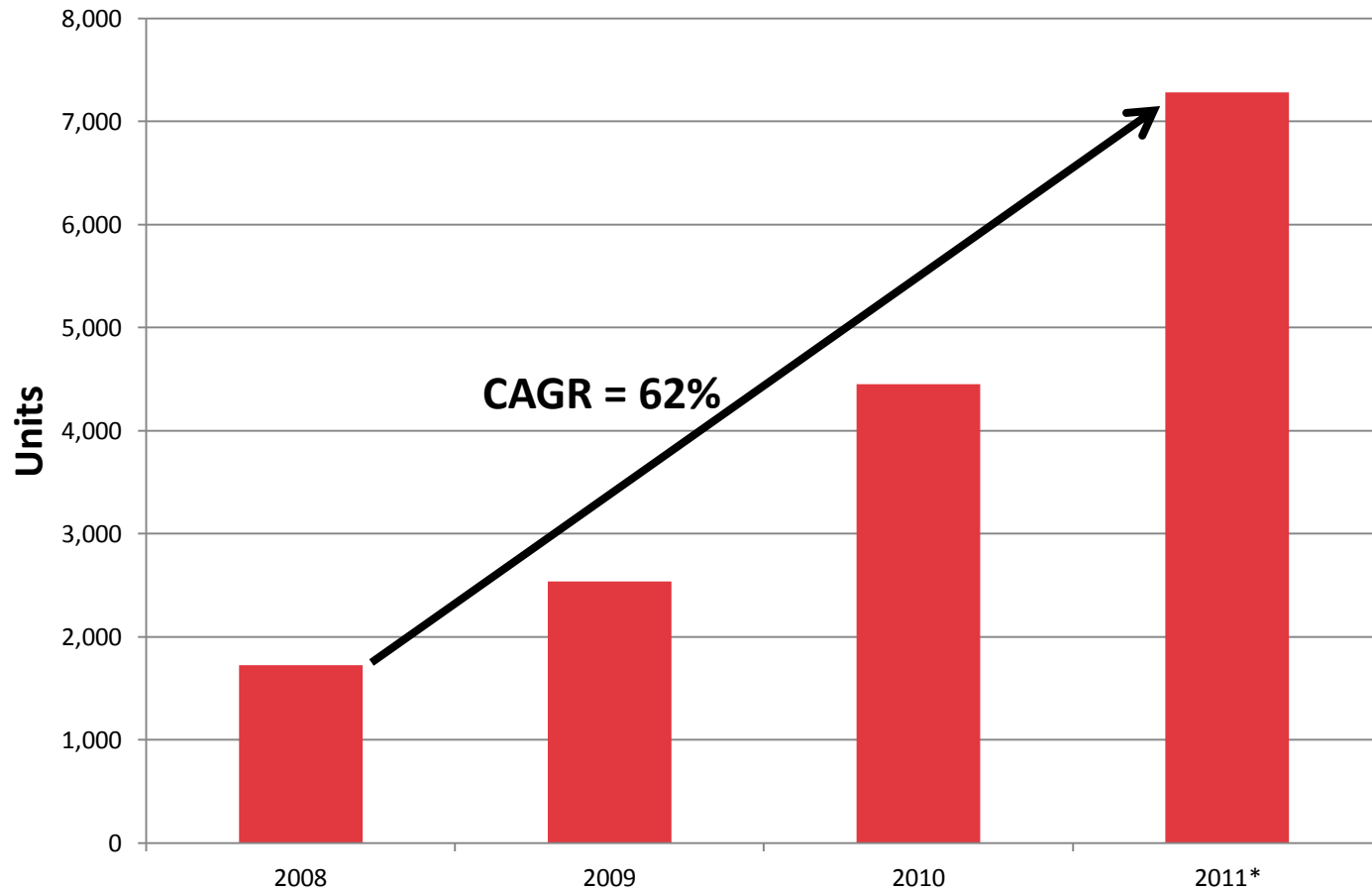
KCS New Business via Rosenberg



*2011 Forecast



KCS Growth from Houston



*2011 Forecast



CATERPILLAR

“Based on our comprehensive review of possible locations, Victoria’s proximity to our supply base, access to ports and other transportation, as well as the positive business climate in Texas made this the ideal site for this project.”



- Last August, Caterpillar announced its plans to construct a 600,000 sq. ft. facility in Victoria, Texas for \$130 million.
- In June 2011, Caterpillar, Inc. announced its plan to further expand its under construction, state of the art, 850,00 sq. ft. manufacturing facility in Victoria, Texas by an additional 200,000 square feet.
- The new expansion will add an additional \$70 million to the project.
- The plant is expected to be completed in mid-2012.
- The new facility will manufacturer two excavator models currently produced in Aurora, IL and three models produced in Japan.



Recent Ethylene Growth Announcements



GRUPPO MOSSI & GHISOLFI



Mexico: The Story Behind the Headlines



The Mainstream Media Headlines

“Mexicans have endured plenty of horrific crimes during their country's bloody five-year war against drug gangs. But the arson in the northern Mexican city that killed 52, mostly women, was a macabre milestone...”

NPR, August 2011



“Since President Felipe Calderón took office in December 2006, declaring war on traffickers, roughly 43,000 people have been killed in drug-related homicides [in Mexico], according to government figures and newspaper estimates. The pace of killings is escalating. More than half the dead, 22,000, were killed in the past 18 months, a rate of one every 35 minutes.”

Wall Street Journal, August 2011

THE WALL STREET JOURNAL.

“The number of murder victims unearthed in mass graves in northern Mexico this month has risen to 279, making it easily the worst discovery of its kind since the government began a campaign against drug cartels.”

Reuters, April 2011



Recent Business Headlines

“Direct foreign investment totaled \$10.6 billion in the first half of the year...this put the country on target to reach official forecasts of \$20 billion for the year.”

Reuters, August 2011



“Mexico's economy is expected to expand by more than 4.5 percent this year.”

CNBC, June 2011



“In 2010...the Mexican peso appreciated against the dollar. Inflation was essentially flat. Foreign reserves rose to \$113 billion...Trade with the U.S. reached an all-time high of nearly \$400 billion.”

The Wall Street Journal, May 2011

THE WALL STREET JOURNAL.

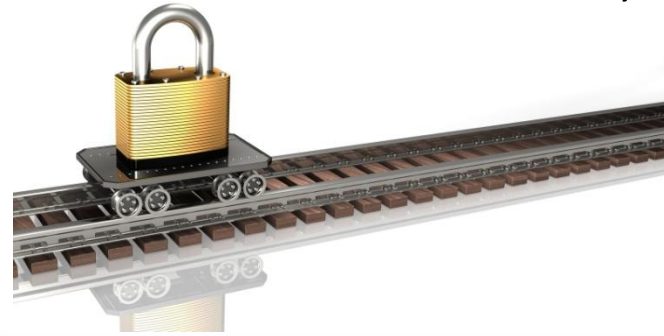
“When it comes to global manufacturing, Mexico is quickly emerging as the "new" China.”

Keith Fitz-Gerald, Chief Investment Strategist, Money Morning



KCSM Shipment Security

- 99.98 percent of shipments move without a claim
- Multi-layered safety and security process
 - *Full-time and contract agents*
 - *Canine units*
 - *Guard points*
 - *Patrol vehicles*
 - *24 x 7 security desk - tracks data, trends and serves as the communication link*
- Full process integration with U.S. and Mexico law enforcement
- VACIS scanning system in operation at Lazaro Cardenas, Nuevo Laredo and Laredo
 - *X-ray cargo imaging*
 - *Radiation scanning*



The Story Behind the Headlines

Trade Growth

- Mexico has 13 Free Trade Agreements involving more than 44 countries
- 2010 US imports rose 31.4 percent from 2009
- The United States is Mexico's largest trading partner

Wage Rate

- Labor costs are converging with China

Proximity

- Supply chain compression
- Time zones are similar
- Travel access is faster and cheaper

Currency

- In US dollar terms, since 2005 Chinese products have become about 40 percent more expensive than those sourced in Mexico

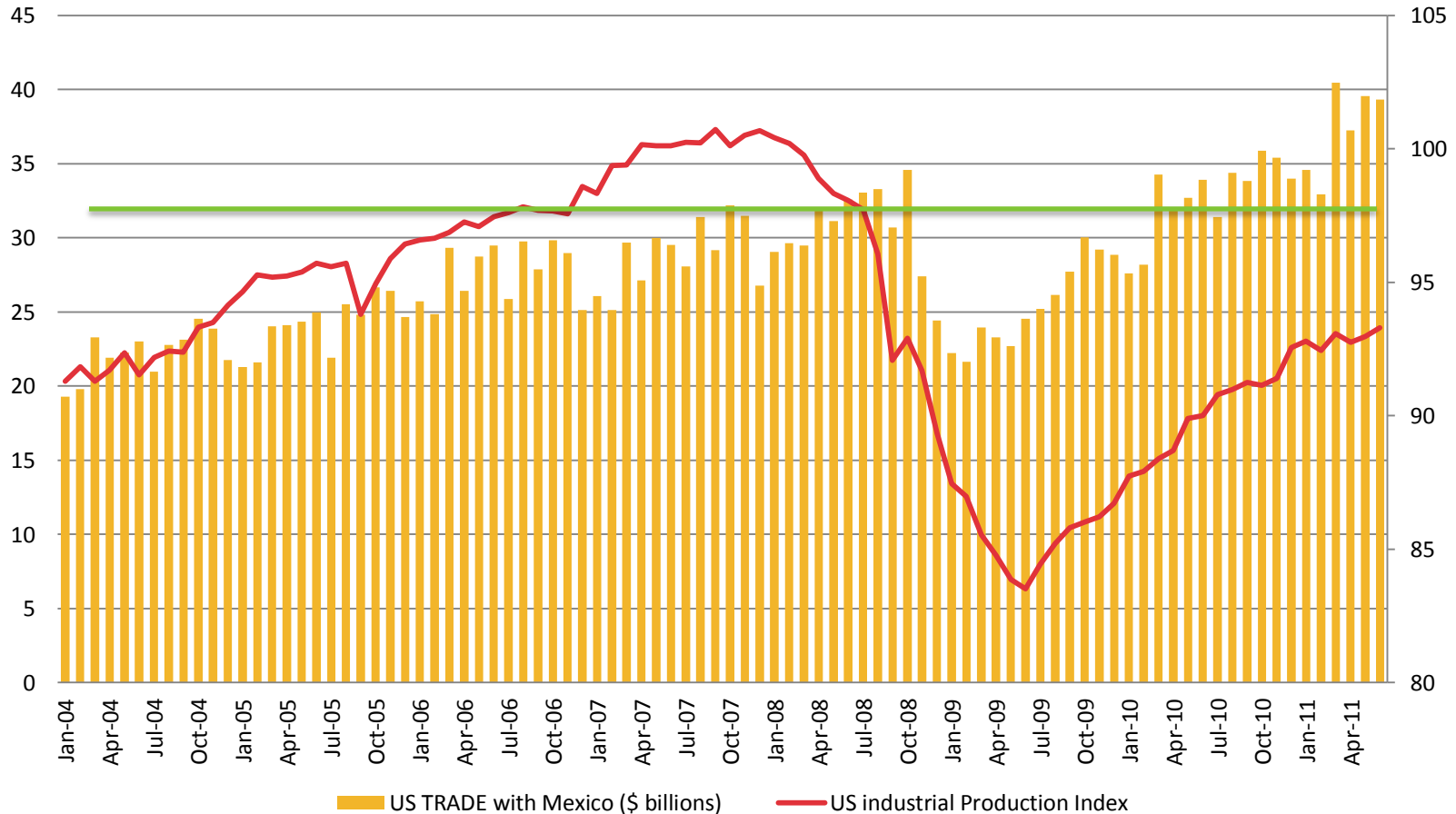
Transportation Costs

- 50-80 percent less expensive to U.S. Markets than for those coming from Asia



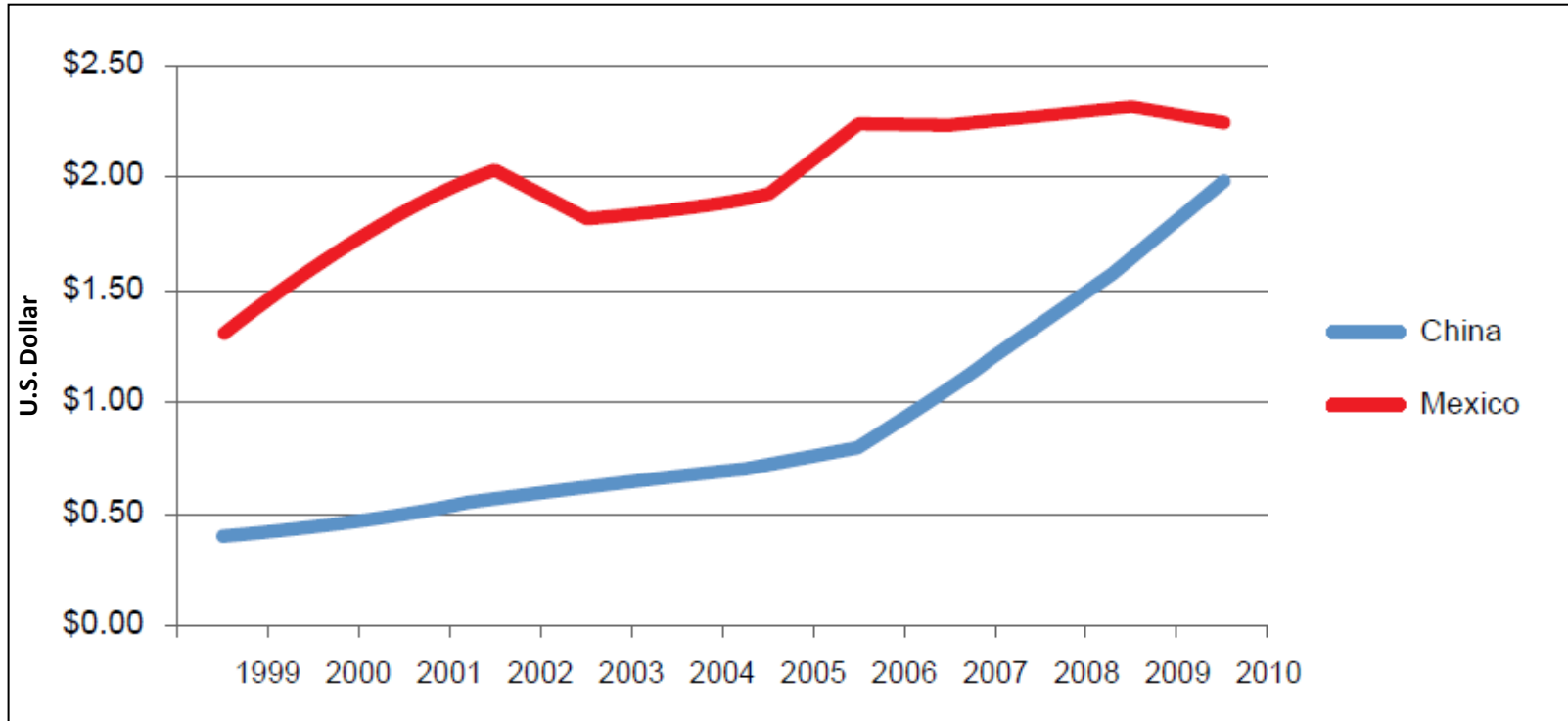
Cross Border Trade Volume

U.S. – Mexico trade has returned to pre-recession levels



Mexico vs. China Wage Rate

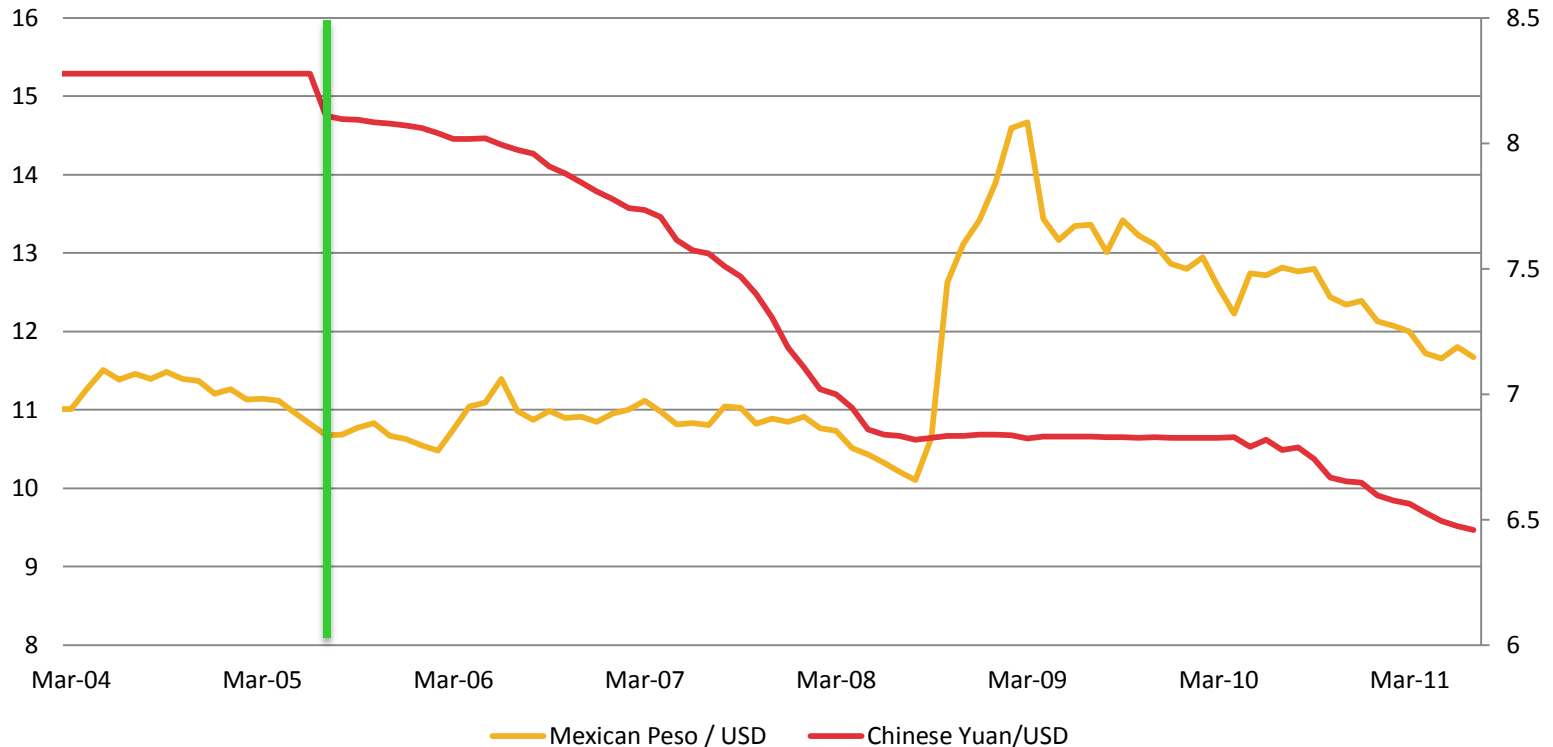
Since 2003, wages in Mexico have risen only 25 percent compared to 218 percent in China.



Mexico's Currency Advantage

In US Dollar terms, since 2005 products sourced in Mexico have become about 40 percent less expensive than products sourced in China.

Peso & Yuan Exchange Rate



Highly Skilled Work Force

- Population of 112 million people (average age of 29 years old)
- By 2030, Mexico will reach its lowest Dependency Ratio
- More than 90,000 engineers graduate every year
 - *3x higher than the US (per capita)*
- 9th largest talent pool of IT professionals in the world



Shipping Costs Advantages to Chicago

- Marine and Ground Transportation Shanghai to Chicago



Shipping Cost	\$5,243
Cost per cubic foot	\$2.19
Transit Time	25 days

- Truck Transportation Monterrey Mexico to Chicago



Shipping Cost	\$3,479
Cost per cubic foot	\$0.91
Transit Time	4-5 days

- Rail Transportation Monterrey Mexico to Chicago



Shipping Cost	\$1,525
Cost per cubic foot	\$0.40
Transit Time	6-7 days



Foreign Direct Investment (FDI) in Mexico

- 2010 FDI multiyear projects reached \$18.6 billion:
 - *New Investments: \$12B*
 - *Reinvestments: \$2.6B*
 - *Intra-company: \$4B*
- 2011 Q1 FDI reached \$4.8 billion
 - *Full year projected at \$22B*
- 75 FDI projects will be developed from 2010 – 2015
- Investments focus on: Aerospace, Automotive, Mining, Appliances & Wind Energy

2010-2011 Multiyear Investments over \$150 million



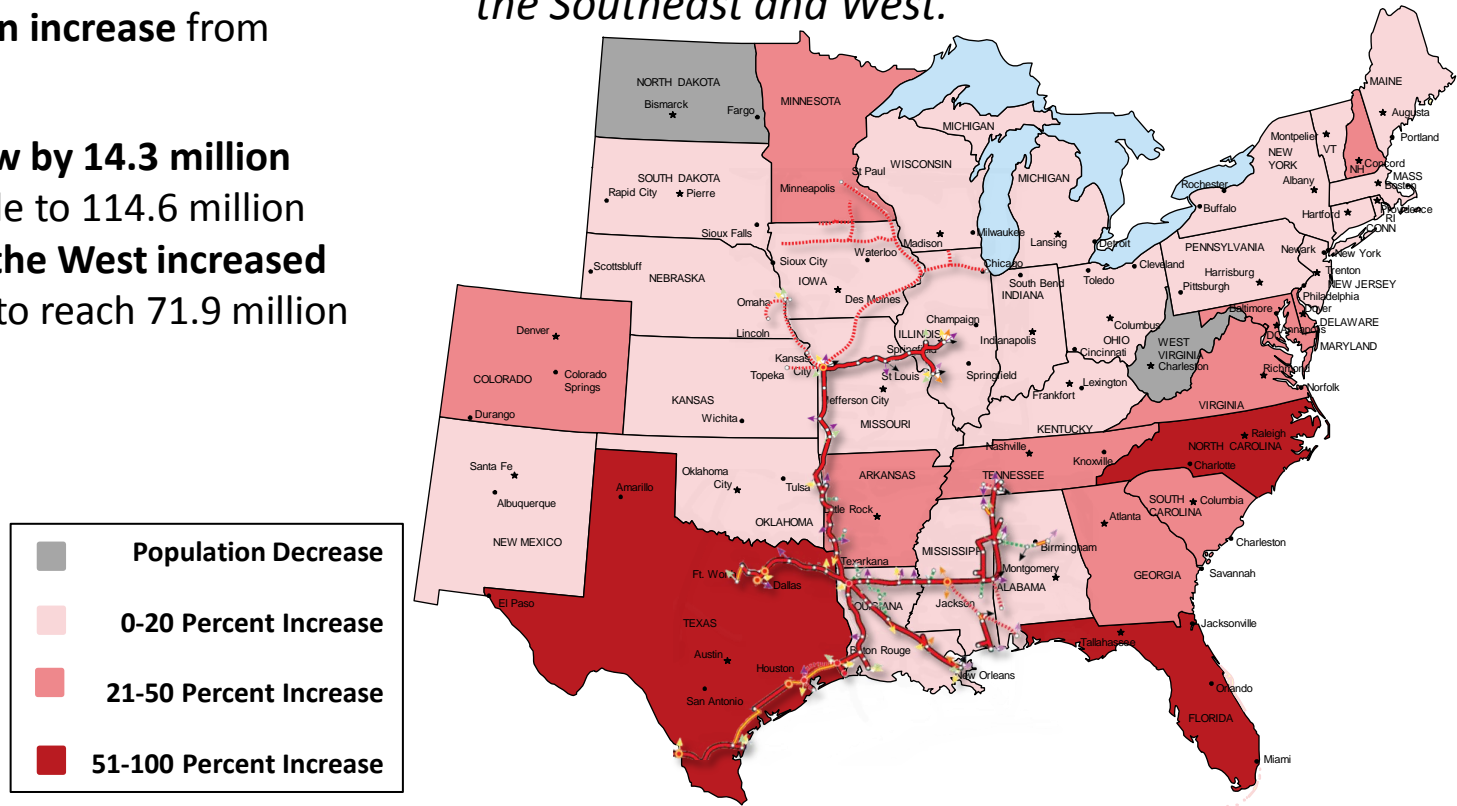
The Emerging Population on KCS

2000 – 2010 Population Growth:

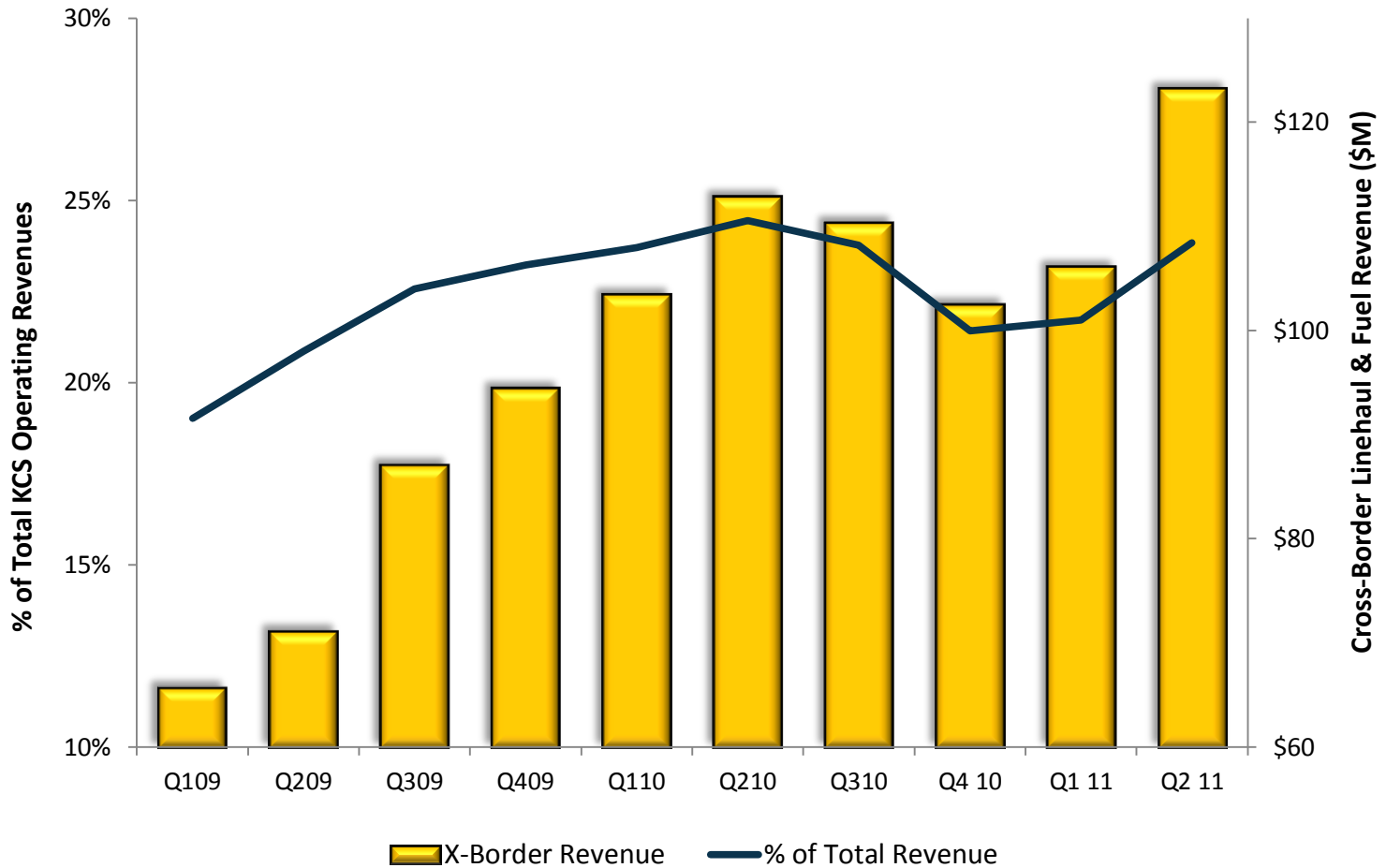
- Overall, the **South and West** accounted for **84.4 percent** of the **U.S. population increase** from 2000 to 2010
- The **South** grew by **14.3 million** over the decade to 114.6 million people, while the **West** increased by **8.7 million** to reach 71.9 million people

Population Forecast:

By 2030, the U.S. population is expected to increase by 29.2 percent, with most of that growth occurring in the Southeast and West.



Total Cross Border Revenue





KCS 1

KCS 1

KANSAS
CITY
SOUTHERN
Lines

KANSAS CITY SOUTHERN

KANSAS CITY SOUTHERN

KANSAS CITY SOUTHERN