



**JOINT PRESS RELEASE FROM
KCS & WATCO COMPANIES, INC.**

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**KCS and Watco Companies, Inc. Announce Plan to
Restore Rail Service to Bay Springs, Mississippi Branch Line**

March 30, 2005. The Kansas City Southern Railway Company (KCSR) and Watco Companies, Inc. (Watco) today announced that they have reached agreement on a plan for KCSR to lease its Bay Springs, Miss. branch line between Newton and Bay Springs to Watco of Pittsburg, KS. KCSR will continue to own the railroad but lease it to Watco for ten years with the possibility of renewing the lease for an additional ten years.

“We are very pleased to have reached agreement on this plan with Watco, which will allow them to go in and restore service on this branch line as soon as possible,” stated Art Shoener, KCSR president and chief executive officer. “Watco is a premier shortline operator and will be able to bring improved service to customers along this line.”

Representatives of KCSR and Watco met with customers, state and local officials on March 23 in Mississippi to review their proposal and discuss their plan for restoring rail service to the line. The two railroads plan to work closely with the Mississippi Department of Transportation (MDOT), customers along the line, as well as other state and local officials to begin work on track rehabilitation to allow restored service as soon as possible. Following the restoration of service, the parties will work together to develop a capital plan that will allow the railroad to be upgraded to service the line for the ten-year period of the lease.

“We are looking forward to going to work with the customers in Mississippi to meet their transportation needs, and provide a level of service that exceeds their expectations,” said Rick Webb, Watco chief executive officer. “We have worked with KCS for many years and this opportunity will allow us to build on our past successes.”

“The Mississippi Southern (MSR) team will be working from day one with customers, local officials, as well as the Mississippi Department of Transportation, and Members of Congress to make sure we have a smooth startup. We are counting on the advice and support of all interested parties in order for us to be successful.”

The MSR service proposal envisions service beginning with three-day-a-week service delivery of cars received from KCSR in Newton, Miss., to customers along the line. Most likely this service will be Monday, Wednesday and Friday. MSR will utilize two locomotives and have track forces in place to maintain the track.

Kansas City Southern (KCS) (NYSE: KSU) is a transportation holding company that has railroad investments in the United States, Mexico and Panama. Its primary domestic holdings include The Kansas City Southern Railway Company, founded in 1887, and The Texas Mexican Railway Company, founded in 1885, which together serve the central and south central regions of the United States. Headquartered in Kansas City, Mo., KCS has investments in TFM, S.A. de C.V., Mexico's northeast railway and The Panama Canal Railway Company, providing ocean-to-ocean freight and passenger service along the Panama Canal. KCS' combined holdings, investments and strategic alliances link the commercial and industrial centers of the United States, Canada and Mexico. For more information, visit www.kcsi.com.

Watco Companies, Inc. (Watco), a Pittsburg, Kansas, based company, operates eleven other short line railroads and operates in 19 states. The Mississippi Southern Railroad joins Watco's other railroads, the South Kansas and Oklahoma Railroad, the Kansas and Oklahoma Railroad, the KAW River Railroad, the Stillwater Central Railroad, the Timber Rock Railroad, the Eastern Idaho Railroad, the Palouse River and Coulee City Railroad, the Pennsylvania Southwestern Railroad, the Great Northwest Railroad, the Mission Mountain Railroad and the Appalachian & Ohio Railroad. Watco also operates industrial switching locations and mechanical and locomotive shops across the United States.

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