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September 2, 2003

BY HAND

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Office of the Secretary
1925 K Street, N.W.
Washington, DC 20423-0001

ENTERED
Office of Proceedings
SEP 12 2003
Part of
Public Record

Re: Kansas City Southern – Control – The Kansas City Southern Railway Company, Gateway Eastern Railway Company, and The Texas Mexican Railway Company (STB Finance Docket No. 34342)

Dear Mr. Williams:

Enclosed for filing in the above-referenced docket please find an original and 25 copies of the Reply and Supplemental Comments of the Canadian National Railway Company (designated as CN-7).

I have also enclosed a diskette containing the text of this pleading in WordPerfect 6/7/8/9/10 format, as required by 49 C.F.R. § 1104.3(b).

Very truly yours,


Paul A. Cunningham

Enclosures

cc: All parties of record

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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34342

KANSAS CITY SOUTHERN
- CONTROL -
THE KANSAS CITY SOUTHERN RAILWAY COMPANY, GATEWAY EASTERN
RAILWAY COMPANY, AND THE TEXAS MEXICAN RAILWAY COMPANY

REPLY AND SUPPLEMENTAL COMMENTS OF CANADIAN NATIONAL
RAILWAY COMPANY

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Counsel for Canadian National Railway Company

September 2, 2003

CN-7



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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34342

KANSAS CITY SOUTHERN
– CONTROL –
THE KANSAS CITY SOUTHERN RAILWAY COMPANY, GATEWAY EASTERN
RAILWAY COMPANY, AND THE TEXAS MEXICAN RAILWAY COMPANY

REPLY AND SUPPLEMENTAL COMMENTS OF CANADIAN NATIONAL
RAILWAY COMPANY

Canadian National Railway Company (“CN”) hereby submits its reply and supplemental comments regarding the Application in this proceeding (KCS-3/TM-3), as supplemented (KCS-10/TM-10), to acquire control of Tex Mex.¹

The nature of these proceedings may have been changed substantially by recent actions by the shareholders and Board of Directors of Grupo TMM to disapprove the proposed sale of TFM stock to KCS², and to exercise Grupo TMM’s contractual right³ to

¹ Unless otherwise indicated, abbreviations and acronyms used herein are defined in the “List of Acronyms Used in Application,” found in KCS-3/TM-3, at 8, except that, consistent with the Board’s usage, Grupo TMM, S.A., is referred to as “Grupo TMM” rather than as “TMM,” and KCS, KCSR, GWER, Tex Mex, and Mexrail are referred to collectively as “Applicants.” See Decision No. 2, at 1 n.1, 6 n. 9.

² On August 18, 2003, Grupo TMM shareholders, including the chairman and CEO, voted against the acquisition of TFM by KCS. Press Release, Grupo TMM, Grupo TMM, S.A. Stockholders Do Not Approve Grupo TFM Sale (Aug. 18, 2003) (included as Exhibit 1). On August 25, 2003, Grupo TMM issued a press release stating that “TMM’s Board of Directors have formally notified KCS of the termination of the proposed sale.” Press Release, Grupo TMM, Grupo TMM’s Board of Directors Terminates Transaction for Sale of Its Interest in Grupo TFM (Aug. 25, 2003) (Exhibit 2). Mexico’s Foreign Investment Commission notified KCS on August 27 that it would delay its ruling on the transaction “until after the dispute is resolved between KCS and Grupo TMM...over whether the Acquisition Agreement remains in effect.” Press Release, KCS, Kansas City Southern Receives Notice of Mexican Foreign Investment Commission Decision on KCS Control of TFM (Aug. 27, 2003) (Exhibit 3).

³ See Stock Purchase Agreement (KCS-3/TM-3 Exhibit No. 2) at 14-15.

buy back the stock that would have given KCS control of Tex Mex.⁴ These actions appear to have delayed, if not put in jeopardy, the acquisition of Tex Mex or TFM by KCS. They therefore present clearly two issues: whether this proceeding should go forward at all with respect to the Application, and, if so, what actions the Board should take with respect to the possible acquisition by KCS of TFM.

KCS may, under the Board's precedents, seek a license for a transaction that is not a certainty.⁵ Nonetheless, it is unclear whether the Board, the Applicants or the public interest would benefit from the immediate disposition of the Application on the merits when the underlying circumstances are so uncertain that it may be difficult to predict the ultimate nature of the Tex Mex transaction, if and when it should occur.

In any event, should the Board proceed and approve KCS's Application to acquire Tex Mex, the Board should impose on that transaction the precautionary conditions and other limitations suggested below to assure that, should the TFM transaction later occur, the Board and the parties will be in a position to mitigate any potential anti-competitive or adverse environmental effects in this country of KCS's common control of Tex Mex and TFM.

CN has never opposed the Tex Mex transaction. Instead, CN has sought disclosures from KCS regarding its plans for TFM so that CN, and ultimately the Board, could fairly weigh the potential anti-competitive effects of KCS common control of Tex

⁴ On August 29, KCS acknowledged receipt of a letter from the Chairman of Grupo TMM "of a demand for TFM to repurchase from KCS shares of Mexrail...sold to KCS in May 2003." Press Release, Kansas City Southern, Kansas City Southern Reviews Mexrail Repurchase Notice (Aug. 29, 2003) (Exhibit 4). KCS also acknowledged the receipt from Grupo TMM "of a notice to terminate a joint-venture agreement between the parties entered into in 1995." *Id.*

⁵ Under decisions of the Interstate Commerce Commission, the fact that a railroad does not have a firm agreement to acquire such control would not preclude the agency from approving an application for control of another railroad, as the agency's approval is permissive in nature. *See, e.g., Norfolk & W. Ry. - Control - Detroit, T. & I.R.R.*, 360 I.C.C. 498 (1979).

Mex and TFM in this country. Even though the TFM transaction now appears uncertain,⁶ should the Board approve the Tex Mex application, the agency should nevertheless preserve its jurisdiction by imposing conditions that would enable the Board to address any issues that may be posed by the common control of Tex Mex and TFM should these issues again become ripe.

To that end, CN respectfully urges that, at a minimum, in any final order approving the Tex Mex transaction, the Board should undertake the following:

- Condition approval of the Tex Mex transaction on a stipulation by KCS that it will not consummate any transaction to acquire control of TFM without prior Board review in this proceeding of the implications of KCS's common control of Tex Mex and TFM on transportation in the United States.
- Expressly reserve jurisdiction and provide that, in the event KCS should acquire control of Tex Mex and TFM, the Board will reopen this proceeding to consider imposing conditions that would:
 - Require applicants to meet their commitments on the current and any subsequent record (*e.g.*, KCS-10/TM-10 at 4, 24-27; *id.*, Verified Statement of Gerald K. Davies at 14-16) – such as their pledge that

⁶ As of August 29, 2003, KCS's public posture was that the TFM transaction would ultimately be consummated. In an August 21 letter to the SEC, KCS stated that "TMM shareholder approval, while contemplated in the Agreement and referred to publicly (KCS having been assured it was a "mere formality") was, as you must know, not included as one of the conditions precedent to TMM's obligation to close the transaction. Therefore, we want to advise you, so that you may inform the Board of TMM, that KCS considers the Acquisition Agreement to remain valid and in effect." Letter from John Marvin to Kenneth Ostrow (Aug. 21, 2003) (Exhibit 5). On August 28, 2003, KCS announced that it intends to seek mediation and arbitration of its dispute with Grupo TMM. Press Release, Kansas City Southern Receives Notice of Mexican Foreign Investment Commission Decision on KCS Control of TFM (Aug. 27, 2003) (Exhibit 3). Even after receiving the notice regarding Grupo TMM's intended buyback of Mexrail shares, KCS plans to enforce the agreement. Press Release, Kansas City Southern (Aug. 29, 2003) (Exhibit 4).

However, the majority shareholders of TFM appear to take a different view. An August 18 Grupo TMM press release stated: "As was made public, approval of the Company's stockholders was required under the terms of the Acquisition Agreement for the sale to proceed." Press Release, Grupo TMM (Aug. 18, 2003) (Exhibit 1).

TFM shall deal with all carriers at Laredo on reasonable commercial terms – in an efficient and pro-competitive manner, and retain jurisdiction to investigate any step taken or not taken to meet those commitments as well as to consider other allegations that KCS, as a result of its control of Tex Mex or TFM, is acting to reduce competition or efficiency in U.S. markets.

- Ensure that KCS's future actions with respect to TFM are transparent by requiring that any KCS agreements in this regard be made available, subject to the customary confidentiality protections, to concerned parties.
- Impose such other limitations as may be appropriate in the circumstances.
- Underscore that any antitrust or other legal immunity flowing from the Board's approval of the Tex Mex transaction would extend only as necessary to carry out that transaction and not to carry out any aspect of the TFM transaction.

Given recent announcements that may dramatically improve TFM's financial position,⁷ it seems as likely that the Tex Mex transaction will be terminated by TMM's exercise of its right to reacquire Tex Mex, as that KCS will acquire control of TFM. So long as the Board has adequately reserved jurisdiction to deal with potential Tex Mex/TFM common control issues, CN suggests that whether the proposals of NITL, BNSF, UP and others⁸ will be appropriate under any eventual TFM acquisition

⁷ See Press Release, Grupo TMM, Grupo TMM Provides Additional Information About The Fiscal Court's Judgment Regarding TFM's VAT Claim (Aug. 25, 2003) (Exhibit 6)

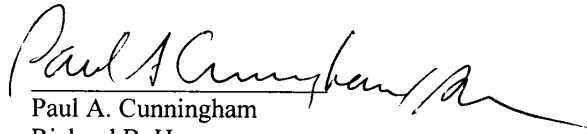
⁸ See NITL-3 at Attachment 1; BNSF-4 at 7; UP-7A at 90-103

transaction should be evaluated if and when KCS and Grupo TMM again agree that such a transaction should occur, and in light of any material changes in the terms of the proposed transaction.

Respectfully submitted,

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Counsel for Canadian National Railway Company

September 2, 2003

Exhibit 1



News

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GRUPO TMM, S.A. STOCKHOLDERS DO NOT APPROVE GRUPO TFM SALE

Mexico City, August 18, 2003 - Grupo TMM, S.A. (NYSE: TMM and BMV: TMM A) ("Grupo TMM" or the "Company") announces that at the Company's General Ordinary Shareholders' meeting held today, the shareholders, unanimously, did not approve the sale of TMM's interests in Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (Grupo TFM) to Kansas City Southern (KCS). As was made public, approval of the Company's stockholders was required under the terms of the Acquisition Agreement for the sale to proceed.

As a result of the stockholder vote, the Board of Directors of the Company intends to meet as soon as possible to review the Company's options.

The company is proceeding to inform the shareholders' decision to the authorities at the Ministry of Communications and Transportation, the Ministry of Finance, other relevant authorities and stakeholders at TMM and subsidiaries.

Headquartered in Mexico City, Grupo TMM is Latin America's largest multimodal transportation company. Through its branch offices and network of subsidiary companies, Grupo TMM provides a dynamic combination of ocean and land transportation services. Grupo TMM also has a significant interest in TFM, which operates Mexico's Northeast railway and carries over 40 percent of the country's rail cargo. Grupo TMM's web site address is www.grupotmm.com and TFM's web site is www.tfm.com.mx. Grupo TMM is listed on the New York Stock Exchange under the symbol TMM and Mexico's Bolsa Mexicana de Valores under the symbol TMM A.

Included in this press release are certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made. Actual results could differ materially from those included in such forward-looking statements. Readers are cautioned that all forward-looking statements involve risks and uncertainty. The following factors could cause actual results to differ materially from such forward-looking statements: global, US and Mexican economic and social conditions; the effect of the North American Free Trade Agreement on the level of US-Mexico trade; the condition of the world shipping market; the success of the Company's investment in TFM and other new businesses; risks associated with the Company's reorganization and asset sale programs; the ability of the company to complete the sale of its interest in the ports division and its interest in Grupo TFM; the ability of the Company to reduce corporate overhead costs; the ability of management to manage growth and successfully compete in new businesses, and the ability of the Company to repay or refinance its indebtedness. These risk factors and additional information are included in the Company's reports on Form 6-K and 20-F on file with the Securities and Exchange Commission.

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Exhibit 2



News

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Grupo TMM's Board of Directors Terminates Transaction for Sale of Its Interest in Grupo TFM

MEXICO CITY--Aug. 25, 2003--Grupo TMM, S.A. (NYSE: TMM) ("TMM" or the "company") announced that, as a result of the unanimous vote by its shareholders at the company's General Ordinary Shareholders' Meeting on August 18 to not approve the sale of TMM's interests in Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (Grupo TFM) to Kansas City Southern ("KCS"), TMM's Board of Directors have formally notified KCS of the termination of the proposed sale.

Subsequently, the Mexican Foreign Investment Commission has also been formally notified by Grupo TFM of the termination ("desistimiento") of the application that Grupo TFM had submitted before the Commission to permit KCS's participation in more than 49 percent of Grupo TFM's equity. The application, therefore, is now without substance.

The termination of the transaction formalizes Grupo TMM's shareholders' decision to exercise the full extent of their rights. The company's Board of Directors has also directed management to pursue all reasonable alternatives to restructure Grupo TMM's outstanding indebtedness and improve the company's financial profile.

Headquartered in Mexico City, Grupo TMM is Latin America's largest multimodal transportation company. Through its branch offices and network of subsidiary companies, Grupo TMM provides a dynamic combination of ocean and land transportation services. Grupo TMM also has a significant interest in TFM, which operates Mexico's Northeast railway and carries over 40 percent of the country's rail cargo. Grupo TMM's web site address is www.grupotmm.com and TFM's web site is www.tfm.com.mx. Grupo TMM is listed on the New York Stock Exchange under the symbol TMM and Mexico's Bolsa Mexicana de Valores under the symbol TMM A.

Included in this press release are certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made. Actual results could differ materially from those included in such forward-looking statements. Readers are cautioned that all forward-looking statements involve risks and uncertainty. The following factors could cause actual results to differ materially from such forward-looking statements: global, US and Mexican economic and social conditions; the effect of the North American Free Trade Agreement on the level of US-Mexico trade; the condition of the world shipping market; the success of the Company's investment in TFM and other new businesses; risks associated with the Company's reorganization and asset sale programs; the ability of the company to complete the sale of its interest in the ports division and its interest in Grupo TFM; the ability of the Company to reduce corporate overhead costs; the ability of management to manage growth and successfully compete in new businesses, and the ability of the Company to repay or refinance its indebtedness. These risk factors and additional information are included in the Company's reports on Form 6-K and 20-F on file with the Securities and Exchange Commission.

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Exhibit 3

KANSAS CITY SOUTHERN

PRESS RELEASE

CATHEDRAL SQUARE • 427 WEST 12TH STREET • P.O. BOX 219335 • KANSAS CITY, MISSOURI 64121-9335
NYSE SYMBOL: KSU



Date: August 27, 2003

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**Kansas City Southern Receives Notice of
Mexican Foreign Investment Commission Decision on KCS Control of TFM**

Kansas City Southern (KCS) (NYSE:KSU) announced today that it received notice from the Mexican Foreign Investment Commission (FIC) of the FIC's decision to defer KCS' application to acquire control of Grupo TFM (GTFM) and, thus, TFM, until after the dispute is resolved between KCS and Grupo TMM, S.A. (TMM) over whether the Acquisition Agreement remains in effect.

Michael R. Haverty, Chairman, President, and Chief Executive Officer of KCS commented, "We believe the FIC decision would allow the transaction to move forward once the dispute between the parties is resolved. The FIC decision reaffirms the Mexican government's commitment to the rule of law. We believe that once the transaction is completed, NAFTA Rail should provide a major boost to the Mexican railroad sector."

As previously announced, KCS believes the Acquisition Agreement between KCS and TMM is still valid and effective, and that both parties are still bound by that agreement. KCS is continuing its efforts to make NAFTA Rail a reality and, in furtherance of that goal, KCS will deliver a notice of dispute to TMM in accordance with the dispute resolution provisions of the Acquisition Agreement. This written notice of dispute will initiate a 60-day negotiation period between KCS and TMM. If the parties are unable to resolve the disputes within that period of time, KCS intends to initiate a binding arbitration in accordance with the terms of the Agreement. KCS is committed to pursuing good faith negotiations with TMM to resolve the outstanding disputes between the parties.



Vicente Corta, a partner at White & Case and legal advisor for KCS in Mexico, added, "After consulting with U.S. counsel, we have concluded that the contract between KCS and TMM to acquire the Grupo TFM shares remains valid. We will pursue all legal means to protect KCS' rights under that contract. The FIC decision leaves the door open for us to complete this transaction."

KCS believes that TMM's recent actions, first defaulting on its obligation to its bondholders and other creditors, then trying to block its bondholders from exercising their legal rights in Mexico, and now trying to disregard an agreement negotiated in good faith over a 14-month period, has caused concern among foreign lenders and investors in Mexico, both current and prospective.

In addition to the Acquisition Agreement, which remains valid through December 31, 2004, KCS has, under the GTFM bylaws, a right of first refusal regarding the sale of TMM's interest in GTFM. As KCS has noted previously, it will enforce its rights and will pursue all appropriate legal or administrative actions against any person or entities involved in interfering with KCS and its agreements with TMM.

KCS also reaffirms its commitment to continue working in good faith with the appropriate Mexican authorities and other relevant parties to resolve all outstanding issues. KCS remains committed to the creation of NAFTA Rail and is convinced that NAFTA Rail will be a strong competitor in the rail sector by providing a seamless, efficient and competitive rail service to shippers in North America.

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Exhibit 4

KANSAS CITY SOUTHERN

PRESS RELEASE

CATHEDRAL SQUARE • 427 WEST 12TH STREET • P.O. BOX 219335 • KANSAS CITY, MISSOURI 64121-9335
NYSE SYMBOL: KSU



Date: August 29, 2003

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KANSAS CITY SOUTHERN REVIEWS MEXRAIL REPURCHASE NOTICE

Kansas City Southern (KCS) (NYSE:KSU) today acknowledged receipt of a letter from Jose Serrano Segovia, Chairman of Grupo TMM, S.A. (TMM) and of TFM, S.A. de C.V. (TFM), the joint-venture subsidiary between KCS and TMM, of a demand for TFM to repurchase from KCS shares of Mexrail, Inc. (Mexrail) sold to KCS in May 2003. KCS is reviewing the notice and will respond appropriately within the time frame provided by the agreement under which the repurchase option was granted.

"We have received the notice and our legal team is reviewing it," said Warren Erdman, KCS Vice President – Corporate Affairs. "Kansas City Southern is a company that honors its contractual obligations. We will respond to this notice within the required time frame, but this does not change our position that we have a valid agreement in place to acquire TFM. As previously announced, we plan to assert our legal rights to enforce that agreement."

As part of the transactions agreed to by both KCS and TMM and publicly announced by both parties on April 21, 2003, TFM sold to KCS Mexrail shares representing an aggregate 51 percent ownership of Mexrail for \$32,680,000 (U.S.) in May 2003. Mexrail, Inc. wholly owns the Texas-Mexican Railway, Inc. (Tex-Mex). These shares were placed in trust pending regulatory approval in the United States of KCS' common control of Tex-Mex by the Surface Transportation Board. Repurchase of Mexrail, Inc. by TFM would return 100 percent ownership of Mexrail to KCS' joint-venture subsidiary, TFM. If it occurs, the repurchase would be at the price KCS paid TFM in May.

KCS also acknowledges receipt from TMM of a notice to terminate a joint-venture agreement between the parties entered into in 1995. "We have had problems in the past with TMM's compliance with this agreement. We will deal with these issues at the appropriate time as part of our effort to compel TMM to honor its contractual obligations," stated Mr. Erdman.



Exhibit 5

[SONNENSCHN NATH & ROSENTHAL LLP LETTERHEAD]

August 21, 2003

VIA FACSIMILE - 213-629-5063
AND FEDERAL EXPRESS

Kenneth A. Ostrow, Esq.
Milbank, Tweed, Hadley & McCloy LLP
601 S. Figueroa Street, 30th Floor
Los Angeles, CA 90017-5735

Dear Mr. Ostrow:

Our client, Kansas City Southern (KCS) was shocked by the announcement on Monday, August 18, 2003, by Grupo TMM, S.A., (TMM) that TMM's shareholders voted down the Acquisition Agreement covering KCS's proposed purchase of TMM's ownership of the Mexican railroad, TFM.

KCS was also surprised that TMM's press release failed to disclose that the Serrano and Segovia families effectively controlled that result through their control of the voting rights of the vast majority of TMM stock. KCS was further dismayed by the press release's failure to explain why the individuals who signed the Acquisition Agreement on behalf of TMM - TMM's Chairman, Jose Serrano, and Chairman Serrano's nephew, Javier Segovia, TMM's CEO - and who as TMM directors recommended approval of the Agreement to TMM shareholders, turned around as the controlling TMM shareholders, rejecting their own recommendation, and voted against that approval.

KCS believes it was misled by previous statements from TMM representatives, including as recently as last Friday, August 15, 2003, when, in a telephone conversation between TMM CEO Javier Segovia and KCS Assistant to the CEO, Larry Lawrence, Mr. Segovia advised that the TMM shareholder vote was assured to be in favor of the Acquisition Agreement. KCS is perplexed at what could have happened over the week-end to change that prediction.

You should nevertheless understand that KCS does not consider the action taken by Mr. Serrano at the TMM shareholders' meeting to preclude completion of this acquisition. TMM shareholder approval, while contemplated in the Agreement and referred to publicly (KCS having been assured it was a "mere formality") was, as you must know, not included as one of the conditions precedent to TMM's obligation to close the transaction.

Therefore, we want to advise you, so that you may inform the Board of TMM, that KCS considers the Acquisition Agreement to remain valid and in effect. In particular, KCS calls your attention to Article 7 of that agreement, which places many restrictions upon the conduct of the business of Grupo TFM and its subsidiaries, including TFM, pending completion of this transaction. Those restrictions must continue to be observed.

In addition to its shock and dismay, KCS considers that it, and its stockholders may have suffered serious financial loss from this latest action, as well as from other actions, by Mr. Serrano and TMM. Those matters will be addressed in a more appropriate forum.

An equally disturbing aspect of Mr. Serrano's actions at the TMM stockholder meeting is their timing. KCS is advised that the Mexican Foreign Investment Commission is about to decide in the next few days whether or not KCS, as NAFTA Rail, will be permitted to acquire the controlling interest in TFM. KCS understands that the FIC has not issued a negative decision on such an issue in ten years, and has received positive feedback on the consideration of this transaction. This causes KCS concern that the TMM shareholder action was timed to influence the FIC review process.

KCS intends to move forward with this transaction, in one form or another. Because of Mr. Serrano's action, KCS must now explore all of its options and alternatives, legal and commercial. These alternatives may include arbitration or litigation to enforce compliance with the Acquisition Agreement. KCS would have preferred, of course, to avoid that expensive and divisive alternative, but it is resolved to take all appropriate action to protect its stockholders' interests, including the pursuit of any party unlawfully interfering with its contract rights.

KCS continues to believe that this transaction will benefit not only KCS and its stockholders, but also TMM, its stockholders and its creditors, including TMM's long-suffering bondholders, many of whom have called KCS to express their disappointment. In that respect, we must remind you that TMM also has an obligation under the Acquisition Agreement to use its commercially reasonable efforts to obtain those bondholders' consent. KCS has been disappointed in the lack of progress toward meeting that obligation.

Page 3
August 21, 2003

If anyone at TMM has specific issues regarding the transaction which they believe KCS should address, we are sure that KCS is always willing to listen. You must understand, however, that KCS considers that it has a lawful and binding agreement arrived at after 14 months of intensive negotiations. KCS has spent considerable sums of money, including raising the financing necessary for this transaction, based upon Messrs. Serrano and Segovia's representations and those of others at TMM. KCS is certainly not going to allow TMM to violate the Agreement and walk away from the transaction under those circumstances.

Very truly yours,

John F. Marvin

JFM/pst

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Exhibit 6



News

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GRUPO TMM PROVIDES ADDITIONAL INFORMATION ABOUT THE FISCAL COURT'S JUDGMENT REGARDING TFM'S VAT CLAIM

(Mexico City, August 25, 2003) – Grupo TMM, S.A. (NYSE: TMM and BMV: TMM A; "TMM") announced that TFM was formally notified by the Mexican Federal Tribunal of Fiscal and Administrative Justice (the "Fiscal Court") of its resolution regarding TFM's Value Added Tax (VAT) Lawsuit initiated by TFM in 1997 (valued at \$2,111 million pesos as of December 1996). The resolution is the result of the unanimous vote of the nine magistrates present at the public session, and was issued in compliance with the June 11, 2003, ruling (amparo) of the Court of the First Circuit (the "Federal Court"). With this new resolution, the Fiscal Court has resolved to vacate its previous resolution of December 6, 2002, considering the "ficta denial" (negativa ficta) claimed by TFM, and has also resolved that TFM proved its claim. The Fiscal Court has ordered the issuance of the VAT Certificate to TFM under the terms established by article 22 of the Mexican Fiscal Code in effect in 1997.

TFM is unable to predict when such certificate will be issued. Moreover, although TFM does not believe that a third party claim or legal action could be brought against TFM as a consequence of the new resolution of the Fiscal Court, TFM believes it would have sufficient legal defenses.

Grupo TMM and TFM appreciate and value the Fiscal Court's resolution as it strengthens the rule of law in Mexico.

Headquartered in Mexico City, Grupo TMM is Latin America's largest multimodal transportation company. Through its branch offices and network of subsidiary companies, Grupo TMM provides a dynamic combination of ocean and land transportation services. Grupo TMM also has a significant interest in TFM, which operates Mexico's Northeast railway and carries over 40 percent of the country's rail cargo. Grupo TMM's web site address is www.grupotmm.com and TFM's web site is www.tfm.com.mx.

Included in this press release are certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made. Actual results could differ materially from those included in such forward-looking statements. Readers are cautioned that all forward-looking statements involve risks and uncertainty. The following factors could cause actual results to differ materially from such forward-looking statements: global, US and Mexican economic and social conditions; the effect of the North American Free Trade Agreement on the level of US-Mexico trade; the condition of the world shipping market; the success of the Company's investment in TFM and other new businesses; risks associated with the Company's reorganization and asset sale programs; the ability of the company to complete the sale of its interest in the ports division and its interest in Grupo TFM; the ability of the Company to reduce corporate overhead costs; the ability of management to manage growth and successfully compete in new businesses, and the ability of the Company to repay or refinance its indebtedness. These risk factors and additional information are included in the Company's reports on Form 6-K and 20-F on file with the Securities and Exchange Commission.

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CERTIFICATE OF SERVICE

I hereby certify that I have, this 2nd day of September, 2003, caused the foregoing
Reply and Supplemental Comments of Canadian National Railway Company (CN-7) to
be served by causing copies to be delivered by hand to:

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915 Fifteenth Street, N.W.
Washington, DC 20005-2318

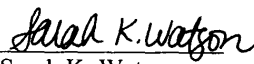
Richard A. Streeter
Barnes & Thornburg
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and by Federal Express to:

W. James Wochner
Thomas J. Healy
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Allan Van Fleet, Esq.
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and by first-class mail, postage prepaid, or by a more expeditious manner or delivery, to
all other parties of record in STB Finance Docket No. 34342.


Sarah K. Watson