

KANSAS CITY SOUTHERN
Form 8-K
April 19, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

April 19, 2012

Kansas City Southern

(Exact name of registrant as specified in its charter)

Delaware

1-4717

44-0663509

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

427 West 12th Street, Kansas City, Missouri

64105

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

816-983-1303

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 Regulation FD Disclosure.

On April 19, 2012, Kansas City Southern de México, S.A. de C.V. ("KCSM"), a wholly-owned subsidiary of Kansas City Southern (the "Company"), presented for ratification a labor agreement between KCSM and the Sindicato de Trabajadores Ferrocarrileros de la República Mexicana ("Mexican Railroad Union") before the Mexican Junta Federal de Conciliación y Arbitraje ("Federal Labor Board of Conciliation and Arbitration"), which the Federal Labor Board of Conciliation and Arbitration ratified. This labor agreement finalized compensation terms for the period from July 1, 2012 through June 30, 2013, and also contains terms that enable the Company to complete an organizational restructuring whereby all employees of KCSM will become employees of KCSM Servicios, S.A. de C.V. ("KCSM Servicios"), a wholly-owned subsidiary of the Company. KCSM Servicios will provide employee services to KCSM, and KCSM will pay KCSM Servicios market-based rates for these services. The effective date of this organizational restructuring is expected to be in the second quarter of 2012.

Mexican employees are statutorily entitled to receive Participación de los Trabajadores en las Utilidades (Mexican Statutory Profit Sharing). The related cash payment to employees is based on an employer's net profit determined under accounting principles prescribed in Mexican law, rather than its net profit determined under U.S. generally accepted accounting principles. U.S. generally accepted accounting principles require the recording of deferred liabilities or assets for financial reporting purposes on the differences between the amounts determined under the two different accounting principles.

As a result of the organizational restructuring, KCSM's obligation to pay Mexican Statutory Profit Sharing will terminate on the effective date. Accordingly, in the second quarter of 2012, KCSM will eliminate a related net deferred liability, resulting in approximately a cumulative \$40 million pre-tax, non-cash reduction in operating expense. In addition, KCSM will record a \$7 million pre-tax, non-cash reversal of deferred Mexican Statutory Profit Sharing expense included in Compensation and Benefits in the first quarter of 2012.

KCSM Servicios will become obligated to pay Mexican Statutory Profit Sharing to its employees on the effective date of the organizational restructuring. On an annualized basis, the combined total of Mexican Statutory Profit Sharing cash payments and related cash payments made to union employees will increase by an average of approximately 37% per union employee compared to payments previously made by KCSM. Further, the labor agreement is expected to reduce variability for both KCSM Servicios and union employees regarding the level of future cash payments.

On an ongoing basis, due to the nature of KCSM Servicios' operations, differences between KCSM Servicios' net profit determined under accounting principles prescribed in Mexican law and net profit determined under U.S. generally accepted accounting principles are not expected to be significant, and the Company will not incur any significant net deferred Mexican Statutory Profit Sharing expense for financial reporting purposes.

Excluding the one-time impact of eliminating the Mexican Statutory Profit Sharing net deferred liability described above, the Company expects to realize an annual expense reduction equal to approximately 4% of the Company's annual Compensation and Benefits expense for the year ended December 31, 2011, as a result of the organizational restructuring.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Kansas City Southern

April 19, 2012

By: */s/ Michael W. Upchurch*

*Name: Michael W. Upchurch
Title: Executive Vice President & Chief Financial Officer
(Principal Financial Officer)*