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KANSAS CITY SOUTHERN  
Form 11-K  
June 30, 2003

Securities and Exchange Commission  
Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002 and 2001

Commission File Number: 333-91478

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Gateway Western Railway Union 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Kansas City Southern  
427 West 12th Street  
Kansas City, Missouri 64105-1804

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EXHIBIT:

Exhibit 23 - Consent of KPMG LLP

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Gateway Western Railway Union  
401(k) Plan

Financial Statements and Supplemental Schedule

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

Gateway Western Railway Union  
401(k) Plan

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\* Other schedules required by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Independent Auditors' Report

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The Participants and Plan Sponsor of the Gateway Western Railway Union 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Gateway Western Railway Union 401(k) Plan (the Plan) as of December 31, 2002 and 2001, and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Kansas City, Missouri  
May 30, 2003

GATEWAY WESTERN RAILWAY UNION  
401(k) PLAN  
Statements of Net Assets Available for Benefits  
December 31, 2002 and 2001

2002 2001

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Assets:

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Cash and temporary investments	\$ 11,496	---
Investments, at fair value:		
Money market accounts	242,591	211,313
Common stock of Kansas City Southern	12,024	---
Mutual funds	1,722,909	1,933,375
	-----	-----
Total investments	1,977,524	2,144,688
Contributions receivable:		
Employee	10,014	---
Employer	4,078	---
	-----	-----
Total contributions receivable	14,092	---
	-----	-----
Total assets	2,003,112	2,144,688
Accrued liabilities	11	---
	-----	-----
Net assets available for benefits	\$ 2,003,101	2,144,688
	=====	=====

See accompanying notes to financial statements.

GATEWAY WESTERN RAILWAY UNION  
401(k) PLAN  
Statement of Changes in Net Assets Available for Benefits  
Year ended December 31, 2002

Investment income (loss):		
Interest and dividends	\$ 44,297	
Net depreciation in fair value of investments	(418,415)	
	-----	
Total investment loss	(374,118)	
Contributions:		
Employee	233,921	
Employer	95,994	
	-----	
Total contributions	329,915	
Benefits paid	(97,384)	
	-----	
Decrease in net assets available for benefits	(141,587)	
Net assets available for benefits:		
Beginning of year	2,144,688	
	-----	
End of year	\$ 2,003,101	
	=====	

See accompanying notes to financial statements.

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## 401(k) PLAN

### Notes to Financial Statements

December 31, 2002 and 2001

#### (1) Description of the Plan

##### (a) General

The Gateway Western Railway 401(k) Plan (the Plan) is a contributory, defined-contribution plan adopted on July 1, 1997. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the plan agreement for a more complete description of the Plan.

##### (b) Eligibility

The Plan covers all permanent union employees of Kansas City Southern Railway (the Company) who are members in a craft represented by one of the following organizations: Transportation Communications International Union, Brotherhood of Locomotive Engineers, Brotherhood of Maintenance of Way Employees, Brotherhood of Railway Signalmen, United Transportation Union, or Brotherhood of Railway Carmen. Employees are eligible to participate in the Plan on the January 1, April 1, July 1, or October 1 coincident with or immediately following his or her first day of employment.

##### (c) Contributions

Participants may contribute a portion of their annual eligible compensation, as defined in the Plan, not to exceed an individual annual maximum contribution of \$11,000 in 2002. The Company matches 50% of participant contributions, up to 6% of annual eligible compensation.

##### (d) Participant Accounts

Each participant's account is credited with the participant's contribution, company-matching contribution, and an allocation of Plan earnings net of investment expenses. Allocations are based on participant earnings or account balances as set forth in the plan agreement. The benefit to which a participant is entitled is that which can be provided from the participant's account.

##### (e) Vesting

Participants are immediately vested in their contributions, company-matching contributions, plus actual plan earnings thereon.

##### (f) Investment Options

Upon enrollment in the Plan, a participant may direct their contributions and company-matching contributions into any of the various funds offered by the Plan.

Effective July 1, 2002, the Plan added Kansas City Southern (NYSE:KCS) common stock as an investment option.

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Participants should refer to the respective prospectuses for a description of the investment objective of each fund.

### (g) Benefits

Distributions generally will be made in the event of retirement, death, disability, resignation, or dismissal. A participant's normal retirement age is 65. The Plan also provides for distributions at age 59 1/2.

Distributions after termination of employment will be made in a lump-sum payment. Balances not exceeding \$5,000 will be paid out within one calendar year of termination of employment. Balances exceeding \$5,000 will be paid upon the distribution date elected by the participant, but no later than April 1 following the calendar year in which the participant attains the age of 70 1/2.

### (h) Plan Termination

Although it has expressed no intention to do so, the Company has the right to terminate the Plan at any time subject to the provisions of ERISA. Upon termination of the Plan, the participants shall receive amounts equal to their respective account balances.

### (i) Plan Expenses

All administrative expenses of the Plan are paid by the Company.

## (2) Summary of Significant Accounting Policies

### (a) Basis of Presentation

The Plan's financial statements are presented on the accrual basis of accounting and present the net assets available for benefits and changes in those net assets. Benefit payments to participants are recorded when paid.

### (b) Investments

The fair value of marketable securities is based upon quotations from national securities exchanges; where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms. Securities transactions are accounted for on the trade date (the date the order to buy or sell is executed).

### (c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes in net assets available for benefits. Actual results could differ from those estimates.

### (d) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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(3) Investments

Investments, which exceeded 5% of the net assets available for plan benefits at December 31, 2002 and 2001, were as follows:

	2002	2001
	-----	-----
Fidelity Growth Company Fund	\$ -	509,649
Fidelity Growth & Income Fund	-	269,321
Fidelity Balanced Fund	-	208,743
Fidelity Blue Chip Growth Fund	-	607,196
Fidelity Retirement Money Market Portfolio	-	211,313
Invesco Stable Value Fund	242,588	-
Barclay's Global Inv Equity Index Fund I	236,167	-
Growth Fund of America	481,751	-
Oppenheimer Quest Balanced Value	141,376	-
PIMCO Total Return Administrative Shares	341,530	-
Washington Mutual Investors Fund	116,647	-
Spartan U.S. Equity Index Fund	-	225,214
Fidelity Ginnie Mae Portfolio	-	113,252
Other	417,465	-
	-----	-----
Total Investments	\$ 1,977,524	2,144,688
	=====	=====

During 2002, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$418,415, as follows:

Kansas City Southern common stock	\$ (1,944)
Mutual funds	(416,471)
	-----
	\$ (418,415)
	=====

(4) Plan Amendment

Effective April 1, 2002, the Plan was amended and restated and a new trustee, administrator and custodian of the Plan were appointed. Plan assets transferred to the new trustee were transferred into funds comparable to those offered by the previous custodian or as determined by a formal request from each participant. The conversion initiated a "black out" period beginning March 15, 2002, and continued through April 22, 2002. During this period, funds could not be withdrawn from the Plan and investment elections could not be changed until the trustee had time to accurately complete the conversion. During this period, employee contributions continued to be made through payroll deductions and the contributions were deposited.

(5) Portfolio Risk

The Plan provides for investments in various securities that, in general,

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are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

(6) Income Tax Status

The Plan received a favorable determination letter from the Internal Revenue Service, dated May 25, 1995, indicating that it is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from tax under Section 501(a) of the Code. The Plan has been amended since receiving the determination letter, and an application for determination was submitted to the Internal Revenue Service. The plan administrator believes the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes is included in these financial statements.

Schedule 1

GATEWAY WESTERN RAILWAY UNION  
401(k) PLAN

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)  
December 31, 2002

Identity	Description
Common Stock	
*Kansas City Southern common stock	1,002 shares, with a fair value of \$12.00 per share
Money Markets	
Barclays Money Market	3.00 shares, with a fair value of \$1.00 per share
Invesco Stable Value	242,587.70 shares, with a fair value of \$1.00 per share
Mutual Funds	
AIM Small Cap Growth Fund	1,677.271 shares, with a fair value of \$18.48 per share
Barclays Global Inv Equity Index Fund 1	9,327.28 shares, with a fair value of \$25.32 per share
EuroPacific Growth	2,276.554 shares, with a fair value of \$22.97 per share
Franklin Balance Sheet Investment A	1,999.389 shares, with a fair value of \$37.09 per share
Growth Fund of America	26,082.878 shares, with a fair value of \$18.47 per share
ING International Value Fund	5,263.407 shares, with a fair value of \$10.29 per share
JanusFund	2,137.691 shares, with a fair value of \$17.82 per share



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Janus Twenty Fund	275.238 shares, with a fair value of \$29.01 per share
MFS Value Fund	3,929.764 shares, with a fair value of \$16.52 per share
Oppenheimer Quest Balanced Value	11,193.647 shares, with a fair value of \$12.63 per share
PIMCO Renaissance	5,658.185 shares, with a fair value of \$14.64 per share
PIMCO Total Return Administrative Shares	32,008.394 shares, with a fair value of \$10.67 per share
Washington Mutual Investors Fund	4,961.572 shares, with a fair value of \$23.51 per share

Total investments

\* Party-in-interest.

See accompanying independent auditors' report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

GATEWAY WESTERN RAILWAY UNION 401(K) PLAN

By

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Eric B. Freestone  
Title: Vice President Human Resources

Dated June 30, 2003