



# SERVICE UPDATE

HOW TOMORROW MOVES



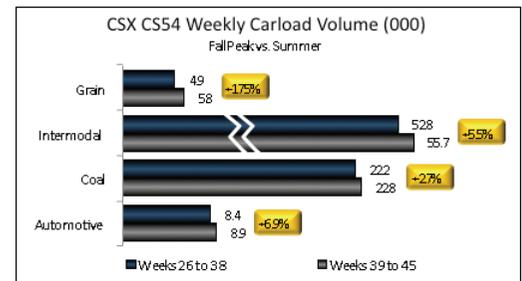
## CSX SERVICE UPDATE

CSX remains relentless in its commitment to deliver the high level of service customers expect. To help ensure the company's capacity meets customer needs, CSX continues to focus on four critical areas: People, Assets, Infrastructure, and Processes. This update details the company's progress in these areas since early November.

### FALL PEAK UPDATE

Through the initial part of the 2014 Fall Peak period, early indications are that the anticipated seasonal volume trends are occurring and will drive heavy traffic levels across multiple commodities this year. As illustrated in the chart to the right, CSX has already begun to experience sequential volume increases in its grain, intermodal, coal, and automotive markets.

Throughout the Fall Peak period, CSX will remain steadfast in its intent to balance resources across geographies and commodities.



### SERVICE RECOVERY ACTIONS

*Crews – The ability to deploy additional train crews, especially in key geographies, increases on-time originations, improves on-time arrivals at customer destinations, and reduces terminal dwell*

Achieving the high level of service reliability that customers demand requires an effectively sized, high-performance workforce. For this reason, CSX continually evaluates crew needs to optimize its workforce for demand, and continues to provide new hires with unparalleled safety and operational training.

Currently, CSX is pursuing an aggressive hiring initiative that will continue into 2015. The company brought on more than 1,250 new conductor trainees in the first three quarters of 2014 and added nearly 250 more in October.

As reported publicly, CSX is advancing an initiative to streamline its management organization as part of the company's long-term strategy to deliver compelling shareholder value with superior safety, customer service, and efficiency. CSX employees who work in field operations are not affected by these streamlining efforts.

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## *Locomotives – Adding locomotives drives up on-time performance, aids in network fluidity, and supports ongoing growth*

CSX continues to improve locomotive availability to meet volume demand and provide flexibility for recovery in the event of a service disruption. The company's approach to improving availability includes adding resources and enhancing processes to drive up asset utilization.

In October, CSX returned 25 locomotives from long-term storage through its rebuild and heavy repair programs. To accommodate the growing locomotive fleet and support higher levels of availability, the company is in the process of reopening its Chicago maintenance facility and is ramping up capacity at other locomotive shops and service centers across the network, especially along the Northern Tier. CSX is also adjusting processes to further advance locomotive availability, taking actions such as scaling back discretionary locomotive modifications during the winter and redirecting a larger percent of the mechanical workforce to focus on fleet maintenance work.

## *Infrastructure – Increasing terminal and line-of-road capacity helps streamline interchanges, improve network throughput, and increase system velocity*

CSX continues to advance major infrastructure projects vital to its efforts to enhance capacity and fluidity along key routes, including the Northern Tier.

The company is currently in the final stages of multiple infrastructure improvement projects, including:

- New siding capacity along the Monon subdivision in northern Indiana, south of Chicago, IL
- Additional line-of-road capacity along the Southeast Corridor between Nashville and Chattanooga, TN
- New staging tracks in Selkirk Yard, near Albany, NY

CSX expects all three of these projects to be operational by the end of November.

## *Process – Adjusting processes provides near-term relief and longer-term strategic improvement as volume grows, mix changes, and traffic patterns shift*

As weather patterns shift, CSX's operating departments have begun applying new and refined winter preparedness activities. Building on lessons learned from the previous winter, the company is implementing action plans and response triggers to guide its winter operating practices.

In 2015, CSX's Engineering and Transportation teams will execute a new rail and tie installation plan along the company's Northern Tier. The plan, which calls for doubling the number of work teams along this route, will cut the work time nearly in half, thereby minimizing the impact this necessary maintenance work will have on operations along this critical corridor.

## RECENT SERVICE DEVELOPMENTS

Operating performance along the Chicago interchange gateway has been stable over the past two weeks despite heavy volumes. The Chicago Transportation Coordination Office Alert Level is currently Normal, where it has remained since October 7.

CSX encountered its first severe winter weather of the season, as Storms Astro and Bozeman caused unseasonably cold temperatures across much of the U.S. and provided early record snowfalls in some states. Across CSX, temperatures rapidly declined 10 to 20 degrees and lake-effect snow fell across parts of the Northern Tier. The most notable impact of the storms was a temporary disruption in the taxi service used to relocate train crews along the Cleveland to Erie corridor. However, the company's comprehensive planning for these storms allowed operations to recovery quickly from this outage without any major service disruptions.

As the map below illustrates, CSX continues to invest in the railroad through maintenance programs which can temporarily impact train performance along specific segments of the network. The map also visually indicates locations where CSX has experienced line-of-road and terminal congestion over the past two weeks.

