



# SERVICE RECOVERY

HOW TOMORROW MOVES



## CSX SERVICE RECOVERY

CSX remains relentless in its commitment to deliver Service Excellence for its customers and return the company's performance to the high level customers have come to expect. While CSX's efforts have made positive impacts on fluidity in many areas of the network, congestion remains in others. Currently, the combined effect of Fall Peak volume growth and CSX's continued strength in intermodal and energy-related commodities is creating challenges to the service recovery effort. To combat these challenges, the company continues to take steps to maintain operational fluidity and move customer freight.

### UNDERSTANDING CSX'S FALL PEAK SEASON

During the Fall Peak period, CSX typically experiences heavy traffic levels across multiple lines of business, driven by overlapping seasonal shipping trends, including:

- Grain – Harvest season, which is expected to yield record production levels this year, drives growth across numerous agricultural commodities
- Intermodal – Movement of pre-holiday inventory, followed by heavy increases in holiday parcel traffic, bolsters Intermodal volume
- Coal – Steam coal shipments typically rise in the fall as utilities replenish stockpiles in advance of winter
- Automotive – Auto-related shipments tend to increase as manufacturers change over their model year

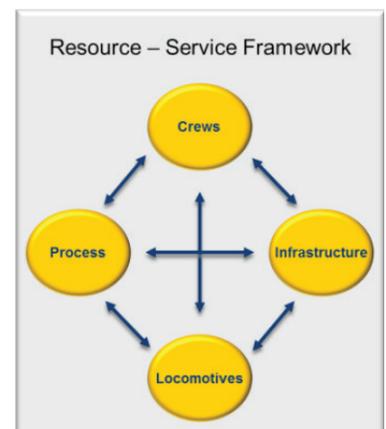
CSX remains committed to balancing resources across geographies and commodities.

### SERVICE RECOVERY ACTIONS

CSX has developed the Resource-Service Framework to drive its Service Recovery initiatives. Guided by this framework, CSX is taking significant action to:

- Hire additional train crews
- Increase the available locomotive fleet
- Build infrastructure and increase capacity
- Enhance processes

These actions are all focused on supporting near-term service improvements and long-term growth.



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*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*

- CSX has already hired more than 1,250 conductor trainees in 2014. The company plans to hire 600 to 700 additional trainees in the fourth quarter, and will continue to advance hiring in 2015 to offset attrition, improve service, and accommodate volume growth.
- CSX has supplemented crew resources in key growth areas, focusing on the Northern Tier, by transferring in more than 100 employees from across the network, deferring retirements, and buying back vacation time.
- Locomotives – Adding locomotives drives up on-time performance, aids in network fluidity, and supports ongoing growth
- By the end of the third quarter, CSX had already increased its active locomotive fleet by approximately 400 units compared to the same period last year. By year end, the company expects to add up to 100 additional units through leases, rebuilds, and heavy repairs.
- In 2015, CSX will receive 200 new locomotives, with deliveries beginning in January. Additionally, the company anticipates returning between 100 and 150 locomotives to active service through its rebuild and heavy repair programs.

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

CSX will complete five major infrastructure projects in the fourth quarter, which will enhance capacity and fluidity along the company's Northern Tier, including:

- New staging tracks in Selkirk Yard, near Albany, N.Y., to facilitate the movement of unit trains through the yard
- Three miles of new double track along the River Line, south of Selkirk Yard, to provide better access into and out of the yard
- New Smithboro interchange, east of St. Louis, Mo., to facilitate more fluid interchange between the BNSF and CSX while avoiding Chicago congestion
- New receiving and departure tracks at the Northwest Ohio intermodal terminal to enhance access into and out of the company's newly expanded flagship intermodal hub facility
- Track and equipment upgrades to expedite the fueling process in Cleveland thereby reducing dwell and improving transit times for customers

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

- In Chicago, CSX is increasing utilization of the recently acquired Elsdon Subdivision and initiating alternative gateway contingency plans to further ease congestion.
- The company is improving alignment and communication with other railroads to promote actions designed to keep Chicago fluid.
- As the company experiences Fall Peak volume and winter moves closer, all of CSX's operating departments are taking steps to enhance the company's winter preparedness.

## RECENT SERVICE DEVELOPMENTS

- Operating performance along the Chicago interchange gateway was recently impacted by heavy volume into and out of the city that caused the Chicago Transportation Coordination Office (CTCO) to temporarily move to Alert Level 2 on Oct. 7. This move compelled all carriers to take action to reduce Chicago traffic. On Oct. 13, Chicago moved to Alert Level 1, and the Alert Level returned to Normal on Oct. 27.
- CSX is starting to experience the early impacts of seasonal temperature changes heading into winter. Significant changes in temperature can cause track and equipment related service interruptions. The company is taking steps to mitigate these weather-related risks.
- 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.

