SUMMER 2006

CSX INTERCHANGE

CSX TRANSPORTATION AND AMERICA'S SHORT LINES: CONNECTING FOR GROWTH

GROWING SHORT LINE BUSINESS – STILL JOB #1

For four consecutive years, CSX and the Short Line industry achieved carload growth rates that exceeded the growth in industrial production. Interline growth also exceeded the gains generally experienced by CSX and other Class Is on their single-line business.

2005 was a turning point in many regards, however. After 14 percent growth in our "same store" carload volumes in 2004, we grew by four percent in 2005. It was much more difficult to cultivate and capture this level of growth, owing to tight equipment and network capacity, pricing tensions with our mutual customers, and the need to deploy resources towards business that justified reinvestment in equipment. With perseverance, collaboration, teamwork, and shared business objectives, CSX was able to sustain and profitably grow our business with the Short Line industry.

2005 and 2006 brought significant challenges. Some carload business has been a casualty of equipment redeployment, price increases, network capacity constraints, or service that did not meet customer expectations. In some cases, it was all four factors that led to business erosion, and CSX "local" business was not immune.

Across the entire rail industry, resources have been strained. In the face of record demand, Class Is worked hard to find capacity to meet demand. In many cases, additional capacity comes from improved network velocity, reduced terminal dwell, reduced customer dwell, and managing locomotive and crew resources more adroitly. At CSX, we're also investing in enhanced network capacity, and have increased capital spending by 30-40 percent versus historical levels.

Through June 2006, CSX and its short line partners met the challenges of the marketplace. Even though "same store" volumes are flat when compared to 2005, we HAVE sustained growth from years past. Also, in May and June, there was significant improvement in the "run rate" of our short line business, with a 4,700 car negative variance through April (-2%) erased in the span of two months. We remain focused on profitable carload growth, and continue to have a sense of urgency in closing on new opportunities. We continue to stress improved network velocity, running the ONE Plan, improving Interchange Performance, and capturing value for the joint services we provide with our short line partners.

At CSX we appreciate the drive and energy short lines bring to regional and local sales and marketing efforts. Without your focus on local service, and attention to detail in cultivating new and existing customers, growth rates stagnate. We encourage your ongoing attention to improving rail's share of the business, and we look forward to strong second-half growth compared to 2005. The Rail Renaissance is still upon us, and we must leverage our combined strengths to grow. Please let your Regional Development Manager, David Martin, Gina Arnold, or me know how we can be of assistance in securing profitable new business.

Len Kellermann

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CSX Moves Ahead with New ISA Tool

In our efforts to be the most progressive railroad in the industry, we strive to offer our customers and short line partners technology solutions that will facilitate more efficient business processes, as well as provide fact-based performance measurements. For the past few years the CSX Caucus Committee and the CSX short line group have been working towards the creation of an Interline Service Agreement (ISA) metric tool. We are pleased to announce that we will be launching our new Short Line ISA tool at the end of the third quarter. This will be a secure, web-based tool hosted on ShipCSX. Therefore, short lines will need to have a ShipCSX account to access the ISA tool.

The ISA scorecard will be three-dimensional – it will provide short lines a view of their general profile information, current ISA information and an ISA scorecard graph. In this phase of implementation, the scorecard is designed to measure up to twelve months of CSX's interchange delivery performance with each short line.

Our goal is to use this tool to provide our short line partners with fact-based metrics on CSX's performance at interchange points. It will also provide a way for CSX to improve service at interchange points with factual information and to grow by understanding and meeting the needs of our short line partners. These performance metrics can also be used by CSX and short lines to attract new business to rail.

Be sure to check the CSX website, www.csx.com, for additional information on the ISA tool in the near future. Also, we will be sending emails with the official launch date and ShipCSX registration information to our short line partners closer to our launch date. At CSX, we remain committed to improving our overall performance and we do hope that our short line partners will find the added value of this tool useful in their day-to-day operations.

Line Sales Slow

After three years of an aggressive line sale/lease program resulting in CSX shedding approximately 2,300 miles of track, fewer deals will be done in 2006.

The network strategy has been successful in turning over the operation of non-strategic lines to short lines that are more flexible and can provide superior service resulting in growth opportunities with customers on the line. CSX is not getting out of the business on these lines, but rather bringing in an operator who can work closely with the customers to help us grow the traffic. At the same time CSX is able to redeploy crews and locomotives to other parts of the network, furthering improvements to service and network velocity. In all cases the goal is to effectively transition the line from CSX control to short line control with minimal negative impact to customers, employees and operations. So far this year 55 miles of track have been sold or leased. Another 500 miles are being studied for possible disposition.

New Faces in Regional Development

In April, after 39 years with CSX, **Clark Adams,** Regional Development Manager for North Carolina and Virginia retired from CSX. **Russ Smitley** has assumed Clark's responsibilities and is now responsible for managing the North Carolina and Virginia short line accounts, as well as regional and industrial development for the region. Russ comes to us with an extensive background in sales and marketing and customer service with a number of Class I carriers over the past twenty one years. Russ can be reached at 804-226-7504 or Russ_Smitley@csx.com.

Aubrey Brown was recently promoted to the Regional Development team as Regional Development Manager for Northeast and Western Florida. Aubrey will manage regional and site development for this region. During Aubrey's seven years with CSX, he has held a number of positions in new business development, customer service, labor relations and human resources. Aubrey can be reached at 904-366-4740 or Aubrey_Brown@csx.com.

Ethanol Impacts Short Line Business

As of June 23, the Renewable Fuels Association (RFA) had reported 4.8 billion gallons of annualized ethanol production compared to 2.8 billion in 2003. In addition, there are 2.2 billion gallons in construction and innumerable plants under consideration. This rapid growth in the ethanol industry has led to exciting times for the railroad industry.

Prior to 2004 when New York and Connecticut banned the use of Methyl Tertiary Butyl Ether (MTBE), the ethanol industry was predominantly west of the Mississippi River. Once the laws in New York and Connecticut went into effect, increased interest in the eastern half of the country began to take off; however, it was not until the passage of the most recent federal energy bill in August 2005 that things really began to heat up.

The bill may be more noteworthy by what it does not contain, rather than what is actually in it. Although the creation of the Renewable Fuels Standard has provided a target for minimum growth (7.5 billion gallons by 2012), the lack of a Safe Harbor clause in relation to the use of MTBE was equally important. Without protection from potential law suits over alleged ill health attributes of MTBE, oil companies and pipelines have begun to cease use of MTBE in reformulated gasoline blends, creating a vibrant market for rail delivered ethanol.

Now, in addition to New York and Connecticut, east coast states such as Maryland, Virginia, Pennsylvania, New Jersey, and Massachusetts have begun to blend ethanol in rapidly growing volumes. They join a number of midwestern states like Michigan, Indiana, Illinois and Ohio where ethanol has been used voluntarily over the years. This has created the need for a rapid increase in production plants and terminals. Traditionally, plants have been built in the heart of the Western Corn Belt, but now companies are looking east to Michigan, Indiana, Ohio, and out of the Corn Belt entirely.

Key corn origination states like Illinois, Michigan, Indiana and Ohio will see an increase in short haul rail moves.

For CSX and our short line partners, the boom of production plants will affect existing traffic patterns of corn and create new moves for ethanol and Dried Distiller's Grain. Key corn origination states like Illinois, Michigan, Indiana and Ohio will see an increase in short haul rail moves. New, long haul moves of DDG and Ethanol will be introduced to the networks. Much like the feed business, CSX is targeting Unit Trains for the movement of ethanol and we are working diligently to provide multiple homes for these trains including Albany, N.Y.; Sewaren, N.J.; Providence, R.I.; and Baltimore, Md. We also expect DDG shipments to evolve into Unit Train moves and are encouraging all potential customers to prepare accordingly.

Working together, the ability to unitize this business will be a key for continuing the rapid growth of this industry. Short lines are a key component in this effort and we look forward to growing together within this exciting industry.

2007 CSX Short Line Workshop

CSX's 18th annual Short Line Workshop, the longest running in the Class I industry, will be held February 21 – 23, 2007 at the World Golf Village in St. Augustine, Fla. Our program will feature dynamic CSX leadership presentations, our ever popular trade show and private breakout meetings. For the seventh consecutive year, our Chairman and CEO, Michael Ward will give a keynote address. Registration packets, including a tentative agenda will be available in early December. Mark your calendars for what will be an enjoyable and productive three days in St. Augustine.

The Race Is On For CSX's Fourth Annual Short Line Incentive Awards

Based on the input of our Short Line Caucus members, our carload growth incentive award program was left intact for 2006; it provides four $5,000 cash awards. The first two awards go to interline or junction settlement roads that achieve the greatest amount of growth in their volumes with CSX in absolute volume and percentage terms. Similarly, two awards go to switch carriers whose business growth with CSX is greatest in volume and percentage terms.

On the Industrial Development side of our business, awards are made to the short line that has the most new site listings in 2006 ($5,000), and the largest industrial development "start-up" of new joint-line business with CSX ($5,000).

All winners will be announced at CSX's 18th Annual Short Line Workshop, scheduled for February 21-23, 2007 in St. Augustine, Fla.

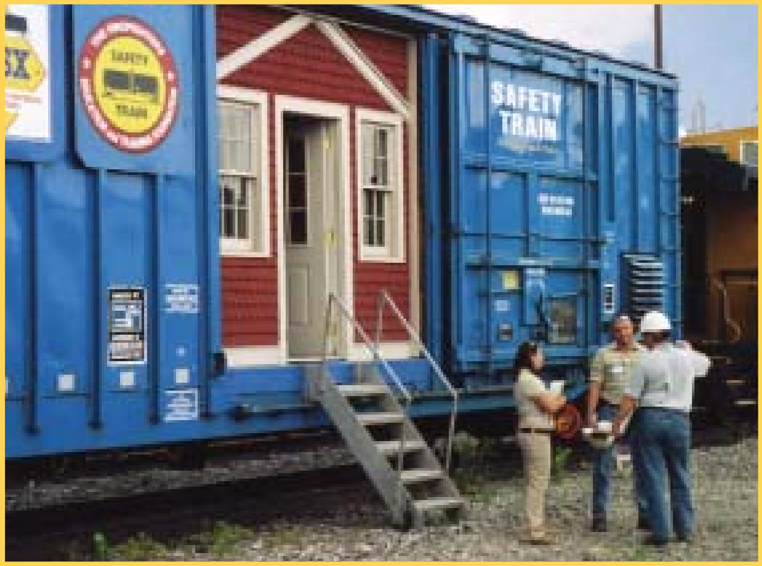
Results through June

INTERLINE OR JUNCTION:	Volume (carloads)		Percentage
Bay Line RR	+3,424	Kankakee Beaverville & So.	309%
Indiana RR	+2,608	Tuscola & Saginaw Bay RY	70%
Buffalo & Pittsburgh RR	+2,576	West Tennessee RR	65%
Birmingham Southern	+2,358	Toledo Peoria & Western RY	60%
Louisville & Indiana RR	+1,422	Birmingham Southern	59%

SWITCH:	Volume (carloads)		Percentage
Delray Connecting	+5,142	Maumee & Western RR	304%
Maumee & Western RR	+2,942	Lehigh Valley – J	177%
Lehigh Valley – J	+1,763	Chicago Rail Link	156%

Short Line Safety, Hazmat Training Included in Safety Train Class

CSX's Public Safety and Environment Department sponsored a day-long hazmat safety training class held at CSX subsidiary TRANSFLO's facility in Cincinnati, Ohio in June for a number of our short line partners.



The CSX Safety Train includes a retrofitted boxcar where classroom training is held.

Representatives from 12 short lines in Kentucky, Ohio, Michigan and Indiana attended the training. This is the third time CSX has hosted this training specifically for our short lines.

The topics covered by instructors that morning in the CSXT Safety Train classroom were environmental regulations and compliance, waste management, hazmat awareness and response, security planning and train accident prevention. In the afternoon a field exercise was held on the Safety Train and participants learned first hand the differences in tank cars and what to do in case of a chemical release. In addition there was training in train accident fact finding and how to locate the point of derailment.

"The short line representatives were fully engaged with the training," according to David Martin, director-regional line assessment. "They asked numerous questions and were most appreciative of our efforts to share our best practices relating to safety." The meeting was coordinated by CSX's Romano De Simone, director-chemical safety, and Jim Briski, manager-field services hazmat material systems.

"The short lines left with a considerable amount of information to take back to their properties and use to help make their railroads safer," said De Simone. "We want them to use us as a resource to help with these issues on an ongoing basis." They clearly got the message that at CSX, "Safety is a Way of Life."

CSX will be holding additional hazmat training classes in Chicago and Selkirk, New York in the fall. For information on these upcoming classes, contact David Martin at (904) 359-7419 or david_martin@csx.com.


Short Line representatives learn tank car characteristics.

Jim Briski explains various tank car appliances.

The Short Line Industrial Development Renaissance

Charles McSwain

What a difference three years can make! I have written in the past about CSX's strategy to promote location of industry on short lines to improve CSX's mainline fluidity and overall service to customers. Many in the industrial development community questioned that strategy, unsure as to whether or not the short line industry could provide the sites, project interface and response of the Class 1's that they were accustomed to.

We have seen steady progress in the implementation of this strategy over the past two years. That success can be measured by the 'short line to CSX' ratio of both the number of projects and number of carloads associated with the projects rising over the past two years. The momentum of 2005 has continued through the first half of 2006 with 17 percent of all projects reported by CSX locating on short lines.

Within the Industrial Development community there has been the perception that the quality of the projects locating on short lines is not as good as that of the projects locating on CSX. At the start of this program, I would probably have agreed with that assessment. But, success breeds success, and as projects located on short lines they have been held up as proof of the short line value proposition. From a system vantage point I can see a major shift in that attitude. Today, consultants are willing to recommend short line sites to major clients. We are working on a large number of showcase projects that are looking at short line sites for their facilities. These range from feed mills with $100 million in invested capital to coal fired power plants looking at spending close to $1 billion in capital.

This new trend in site location is the culmination of a lot of hard work developing sites, establishing relationships within the industrial development community and showing site consultants the value short lines can bring to their projects. This new respect is no more evident than in the tremendous win for the CIND when Honda selected a site on their line outside of Greensburg, Ind. for their newest assembly plant. Each of us in Regional Development looks forward to working with you to strengthen the industrial site inventory and project management teams on your lines.

New Security Policy Implemented

CSX works closely with local, state and federal authorities to help ensure the security of the nation's railroads. On February 15, CSX implemented a new system wide information security policy for CSX Transportation customers.

Several changes were made with the new security policy:

- **Every carload customer and Short Line is now required to use a ShipCSX User ID and Personal Identification Number (PIN) when calling Customer Service.**
- **Customer Service teams were realigned geographically.**

These changes continue to ensure the security of your information and shipments by verifying that you are authorized to access information about your company's shipments. In addition, the new system automatically routes your call to the proper Customer Service team for faster and more accurate responses and problem resolution.

If you still are not registered in ShipCSX, go online at www.CSX.com and follow these steps:

1. **Click on the Customer link on the top left**
2. **Next, click on Register for eBusiness**
3. **After that you will see Getting Started and below that CSX Customer**
4. **Click on CSX Customer to begin the registration process.**

You can still contact our eBusiness team at 877-ShipCSX, select prompts 2 then 1. An eBusiness representative will be able to assist in getting you set up.

Once registered, if you need assistance with carload service issues or problem resolution, you can reach Customer Service at 877-ShipCSX, select prompts 5 then 6. You will be asked to input your ShipCSX user id and PIN. Your call will be automatically routed to an Account Coordinator aligned with your geographic location.

Service Start-Up and Integration Group "Installs" New Business

"It Starts With the Customer" is one of CSX's five core values and the foundation for everything we do at CSX. In support of this ideology, CSX has a service start-up and integration team that is responsible for making the transition to rail service a smooth and error free experience for any customer, including those located on short lines and regional railroads that connect to CSX.

This 11 member team is located across the CSX rail system and helps to ease the way for new or existing customers that have any type of business or operating environment change, such as a new origin or destination, new product line or equipment type, facility expansion, name change, etc. The team works in conjunction with the necessary CSX departments and short line personnel to "install" the new business. The process is detailed – the team uses a 30-item checklist touching on subjects like credit, computer profile set-up, service planning, load engineering and design, ShipCSX, rail safety and switching plans.

> "The electronic piece of a start-up is critical to supporting many of our business processes."

A significant part of the team's work involves training customers in how to do business with CSX. Customers are encouraged to use electronic tools like ShipCSX. "The electronic piece of a start-up is critical to supporting many of our business processes," said Mitch Hobbs, director product development, start-up and integration.

"We make certain that all required customer information is collected so that the customer profiles are set up correctly in our computer system. Customers are also trained in the principles of load engineering and design, so their workforce knows which car type fits their needs and how to load and unload freight with maximum efficiency and safety."

The ultimate goal of the service start-up and integration team is to see that customers have a seamless defect-free start-up so that they are so satisfied with the experience they'll want to do more business with CSX and our partner railroads. If you have any questions or would like additional information about the Service Start-Up and Integration group, please contact Mitch Hobbs at (904) 359-1267.

CSX Commercial Metrics

As of June 30, 2006 (CSX system-wide)

	Carload Volume	Change from 2005
Coal	945,762	+29,157
Emerging Markets	267,612	+16,869
Intermodal	1,062,938	-8,304
Automobile	250,734	+1,139
Agriculture	191,179	+12,195
Food & Consumer	126,793	+919
Forest Products	209,393	-16,841
Metals	188,578	+3,659
Chemicals	269,775	-4751
Phosphates & Fertilizer	182,305	-51,335
Total	3,695,609	-17,293

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USEFUL INFORMATION FROM CSX TRANSPORTATION FOR SHORT LINE RAILROADS

David Brown, New Vice President and Chief Transportation Officer

Tony Ingram has announced the appointment of David A. Brown as vice president and chief transportation officer for CSX Transportation. In his new role, which took effect May 16, 2006, David has overall responsibility for CSX's 21,000 mile transportation network, which operates more than 1,300 trains daily.

David holds a bachelor's degree in business administration with an emphasis on transportation from the University of Tennessee. He joins CSXT from Norfolk Southern, where he most recently served as vice president-strategic planning. This followed a series of increasingly responsible operating positions over 25 years, including five years as general manager-Northern Region.

David will provide the leadership and experience to continue the significant progress our team has made in safety, reliability and customer service. He is an excellent complement to our operations team and well qualified to help drive continuous improvement through leadership, discipline and execution.

Reporting to David will be Tony Tuchek, vice president-Northern Region; Mike Pendergrass, vice president-Southern Region; Jim Snyder, vice president-Network Operations; Tim Male, assistant vie president-Crew Management; and Mike Munley, assistant vice president-Plan Compliance.