

USEFUL INFORMATION FROM CSX TRANSPORTATION FOR SHORT LINE RAILROADS

CSX LAUNCHES New ISA TOOL

For the past few years the CSX Caucus Committee and CSX representatives have been working towards the creation of an Interline Service Agreement (ISA) metric tool. We are pleased to announce that the tool was successfully launched in December 2006. This is a secure, web-based tool hosted on ShipCSX, which requires users to have a username and password. It enables short lines to view:

- General profile information
- Current ISA information
- An ISA scorecard graph, showing CSX reported interchange, whether CSX met the agreed upon “window” for delivery, the train that made the interchange, and a listing of cars interchanged.

At this time, the scorecard is designed only to show CSX’s delivery

performance with each short line. Currently, 79 short line users have registered and are using the tool. It also provides a way for CSX to improve service at interchange points with factual information. More than 210 CSX internal users have registered and are using the ISA tool as well. If you haven’t signed up, we encourage you to register to use this tool as it provides fact-based metrics on CSX’s performance at interchange points and metrics that can be used by both CSX and short lines to attract and grow new business.

To access the new tool, short line managers need to register for a ShipCSX account at www.shipcsx.com. If a ShipCSX account has already been established, contact a CSX E-Business specialist at 1-877-ShipCSX (1-877-744-7279), option 2, option 1 to receive clearance for the ISA performance metrics tool.

The CSX logo is displayed in white, bold, sans-serif capital letters.The word INTERCHANGE is written in large, bold, yellow, sans-serif capital letters, slanted upwards from left to right.This text is written in white, sans-serif capital letters, slanted upwards from left to right, positioned below the INTERCHANGE logo.The words SUMMER 2007 are written in white, sans-serif capital letters, slanted upwards from left to right, positioned at the top right of the page.The words BUSINESS GROWTH - THERE'S WORK TO BE DONE are written in white, sans-serif capital letters, slanted upwards from left to right, positioned below the INTERCHANGE logo.

Despite these significant strides, profitable volume growth has been elusive to the rail industry in 2007. The Rail Renaissance that began in 2005 has been dented by weaker-than-expected housing starts and overall construction activity, combined with short-term truck capacity. Volume declines have occurred across several markets at CSX. And unlike years past, declines in our overall short line traffic are pronounced, as well.

Through six months, interline short line volumes are down approximately three percent, or 15,500 carloads. While this decline is consistent with overall CSX volume trends, our 5-year run of growth with the short line industry is in

jeopardy. Weakness with short lines is most evident in Paper & Forest Products (off 14 percent), Food & Consumer (off 11 percent), and Emerging Markets (off 10 percent). In some cases, these markets were due for a correction after several years of outstanding growth rates. In other cases, I believe we all could improve our efforts in finding new opportunities to deliver value to mutual customers. Similarly we must work harder and smarter to contain or eliminate erosion to other modes of transportation.

Short lines have always been a major source of new customer and new market development. CSX needs that short line drive and focus in the second half of 2007 to reverse recent trends, not only to salvage 2007, but to build a solid platform for growth in 2008.

Such efforts are the essence of our Interline Business Planning process. Our Regional Development Managers and headquarters staff are here to assist all short lines in their business development initiatives with CSX, from Industrial and Site Development expertise, to ensuring the proper CSX departments and resources are aligned with profitable interline business opportunities.

So far in 2007, Agricultural Products (+9%), Phosphates and Fertilizers (+5%), and Coal (+1%) have been growth markets for CSX and its short line partners. With the anticipated rebound in the economy and a heightened focus on existing and new customers, a strong conclusion to 2007 is possible. Closing the carload gap and building a solid foundation for 2008 are imperative to our mutual success.

Please engage our Regional Development team and the rest of CSXT's Sales & Marketing organization to assist with your growth aspirations, and let's continue to capitalize on the Rail Renaissance.

Len Kellermann

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CSX ISSUES CHANGES TO SWITCH SERVICES

On July 1, 2007, two changes took place for switching services offered by CSX. First, CSX instituted a new charge for switching or repositioning of hazardous materials rail cars involved in a non-accident release. When an event occurs, CSXT must act promptly to address the situation and frequently incurs considerable expense, including environmental clean-up, administrative costs, service disruption and crew / locomotive expense required for special switching / repositioning of cars. The charge for switching or repositioning cars involved in a non-accident release will be \$3,597 per car, per event.

Second, CSXT is raising general rates for Intermediate Switching Services provided to other railroads. The new rate is \$105 per car, except as otherwise noted in the CSXT 8100. Market conditions have made this increase necessary as these charges have not changed since April 15, 2000.

These changes will allow us to ensure fluidity and at the same time encourage shippers to keep cars in safe working order.

For further details, please review the CSXT 8100 Tariff at www.CSX.com, and subscribe to receive CSXT 8100 notices electronically.

BARILLA FINDS 'PASTABILITIES' IN RAIL TRANSPORTATION

At CSX, we are always looking for ways to grow business with our short line partners. Recently, we had one such opportunity with the Livonia Avon and Lakeville Railroad (LAL). The LAL is a 30-mile railroad that connects with CSX at Genesee Junction, N.Y. This railroad primarily handles sweeteners and feed grain with CSX. Over the years, the LAL has won numerous safety awards and is known for its efficient, reliable service.

This made LAL an attractive partner in an opportunity to rail flour from the Midwest to the East.

Italian-based pasta maker Barilla Foods has been looking

for a new distribution point that would give them reach into the lucrative northeast market. One of their considerations was the need to efficiently transport flour from their U.S. base in Ames, Iowa, to a new pasta making and distribution facility. All things considered, Barilla found its logistics solution in CSXT and a short line serving a location in Avon, N.Y.

"Our people in Regional Development, Service Design and Sales and Marketing worked

hand-in-hand with Barilla to find a solution with joint line access in the Northeast," said Lynette Teague, CSX market manager-Agriculture.

"We've had a good working relationship with the LAL Railroad. The solution was a service product with CSXT and the LAL that will meet their current needs and can be developed for future opportunities."

"This new business means about 1,000 carloads this year, growing to about 1,500 in the next three years."

**Lynette Teague
CSX market
manager-Agriculture**

In June, the first shipments of flour moved through the Chicago gateway, then over CSXT lines to the LAL and into the plant for processing into Barilla's high-grade pasta. The first cars arrived not only on time,

but a day early. Finished product is to be trucked to distribution centers in the northeast.

"This new business means about 1,000 carloads this year, growing to about 1,500 in the next three years," Teague said. "This is great news, because this was formerly a flat market with few new plants being built. The trend away from the ultra-low-carb diets and new whole-grain offerings has given the pasta market new life."

LINE LEASE SUCCESS STORY - SHORT LINE MODEL WORKS

On August 27, 2005 the Indiana Eastern Railroad (IERR) was created and took over operations of CSX's Richmond Subdivision between Richmond, Ind. and Fernald, Ohio under a long-term lease arrangement. Since that time the IERR has produced great results and proven they can operate the line in a cost effective and safe manner. "We have invested \$1.2 million in ties, ballast and surfacing including the re-building of a siding in Fernald, Ohio which will help our operation and make it possible to serve a proposed industrial park," according to Doug Jobe, Vice President, Indiana Eastern. "On the safety front,

IERR has had zero train accidents and zero personal injuries since taking over." From a commercial standpoint business on the line has increased since IERR took over the operation. Through June 2007, carloads have increased 22.7 percent compared to the same period in 2006, excluding the one time hazardous dirt move. Major customers on the line are: Cargill, Boston, Ind., who is looking at expanding from 65 car to 90 car unit grain trains; Nease Corporation in Fernald, Ohio who is studying a plant expansion, and Union County Co-op who recently re-activated their rail siding with help from IERR. Also working with Jeff Wagoner, CSX Regional Development Manager, IERR has a new customer in Tanner Industries who is locating a distribution facility in Cottage Grove, Ind. Tanner will receive inbound carloads of ammonium hydroxide.

In addition, the coal

fired generating plant operated by Richmond Power & Light, in Richmond, Ind., has signed a three year coal transportation contract to receive coal by

rail. The coal originates at James River Coal Company, Switz City, Ind., and moves in 40-car unit trains with dedicated power via INRD-CSXT-IERR. Volume is anticipated to be 750 carloads this year and 1,500 carloads per year in 2008 and 2009. "This was a great example of a short-haul move involving three railroads working together to provide a lower cost alternative to trucks," said Leslie Smith,



IERR locomotives in Bath, Ind.

CSX market manager-Coal. "The Indiana Eastern deserves much credit for bringing this opportunity to the forefront."

All forecasts not converted to orders by customers or short lines will systematically be converted on August 17, 2007.

Benefits of an Order versus using a Forecast:

- You no longer have to convert your forecast to an order. Simply place your orders and modify the demand only when needed.
- Cars placed early will count towards an order whereas they would not apply to a forecast, giving you more accurate order fulfillment statistics.
- Car Orders retain an audit trail of changes, allowing you to see all order modifications from the initial placement forward.

If you have any questions or need assistance, please contact our e-Business professionals at 1-877-744-7279 options 2, 1.

IMPORTANT NEWS ON CAR ORDERING
THROUGH SHIPCSX

CSX

is making

changes to its Car

Order tool. Beginning

the week of August 20, 2007, CSX

will remove the Car Order Forecast option.

Any need for future demand must be submitted

as an order.

2008 CSX SHORT LINE WORKSHOP RETURNS TO WORLD GOLF VILLAGE

CSX is proud to announce its 19th Annual Short Line Workshop, which will be held on February 20-22, 2008 at the World Golf Village in St Augustine, Fla. Our program will feature informative presentations by senior leaders. Chairman, President and Chief Executive Officer Michael Ward will be the keynote speaker. Short line participants will also have the opportunity to network with CSX personnel during our popular trade show and have one-on-one meetings during private break out sessions. Registration information and a tentative agenda will be available in early December. We encourage all short line employees who have regular, functional dealings with CSX to attend the workshop. We hope to see you in St. Augustine in February!

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



Our carload growth incentive award program provides four \$5,000 cash awards. The first two go to the interline or junction settlement roads that receive the greatest amount of growth in their volumes with CSX in absolute volume and percentage terms. Similarly, two awards go to the switch carriers whose business growth with CSX is greatest in volume and percentage terms.

The winners will be announced at CSX's 19th Annual Short Line Workshop, scheduled for February 20-22, 2008 in St. Augustine, Fla.

Results through June

INTERLINE OR JUNCTION:	Volume (carloads)		Percentage
R J Corman RR/WV Lines	+4,260	RJ Corman RR/WV Lines	303%
Beech Mountain RR	+2,418	Beech Mountain RR	299%
Saginaw Bay Southern	+2,255	Chesapeake & Indiana RR	165%

SWITCH:	Volume (carloads)		Percentage
Union Railroad	+2,660	Lake Terminal	57%
Lake Terminal Railroad	+1,695	RJ Corman RR/Central Kentucky Line	46%
MG Rail Inc.	+1,421	Youngstown Belt Railroad	38%

It's OUR TURN To TAKE OUT THE TRASH

In the early morning hours, legions of collection trucks pick up household and residential garbage created by people every day. For many people, the cycle ends when the trash bin is rolled out to the curb, however the cycle goes beyond the curb. Americans generate 495 millions tons of waste per year, which equates to four pounds per person everyday. The collection, processing and disposal of waste represent a \$46 billion industry. Waste is managed in three ways: Recycling (30%), Landfill (60%) and Waste to Energy (10%).

Trucks are the predominant method for hauling waste starting with the collection trucks and ending with the tipping trailers at the landfill.

The Resource Conservation and Recovery Act (RCRA) opened the door for railroads. RCRA forced the closure of older, smaller landfills and replaced them with strictly

regulated and environmentally safe landfills. These new landfills accept large amounts of waste per day with long term disposal capacity.

Shipping waste by rail is a relatively new mode for waste companies and municipalities. There are four drivers that enable business to be converted to rail:

- 1. Decreasing disposal capacity and higher disposal costs.**
- 2. Access to new modern regional landfills with low disposal fees located in rural areas.**
- 3. NIMBYS (Not in My Backyard) rallying against the permitting of new or expanded transfer stations, landfills and waste-to-energy facilities in urban areas.**

4. Highway congestion, which limits the disposal options and impacts air quality.

Railroads ship waste ranging from ordinary household garbage to spent nuclear fuel. Customers capitalize on the strength of the railroad, where rail

excels in hauling heavy, consistent volumes over long distances. Rail's efficiency and reach help municipalities and waste companies expand disposal options.

Two waste streams with long-term growth potential for short lines and Class I's are Municipal Solid Waste (MSW) and Construction and Demolition Debris (C&D). MSW consists of paper, yard waste, food scraps, metal, glass and other everyday items. When shipping via rail, customers provide specially

designed sealed containers that contain approximately 20 tons, and load four containers onto a flatcar. Construction and Demolition Debris (C&D) is the waste generated from construction, demolition and renovation projects. C&D is shipped in customer supplied gondolas and woodchip hoppers, which hold up to 100 tons per car. The primary supply market is the densely populated

northeast, with movements to large, regional landfills in Virginia, South Carolina, Ohio, Kentucky and Georgia.

Short lines are valuable partners and handle 40 percent of the MSW and C&D shipments on CSX. CSX and our short line partners continue to develop access to new and existing transfer stations and landfills in South and Mid-Atlantic. Working closely together, we can take out the trash.

Jerry Gagarin



Empty containers heading into the Staten Island Transfer Station.

The collection, processing and disposal of waste represents a \$46 billion industry.



CSX OFFERS TRAINING TO SHORT LINES

CSX has recently conducted training classes for short lines in the areas of hazardous materials safety, e-business tools and industrial development site identification.

In April and June, CSX's Public Safety and Environment Department sponsored day-long hazardous material safety training classes in Waycross, Ga., and Philadelphia, Pa., respectively. Representatives from 23 short lines attended the training on CSX's Safety Train. The topics covered included hazardous materials awareness and response, tank car specifications and security planning. "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 Romano De Simone, director-Chemical Safety, who led the training. For information on upcoming training classes, contact David Martin at (904) 359-7419 or david_martin@csx.com.

In March CSX's E-Business Group hosted an e-business workshop in Nashville, Tenn. for customers and short lines. The workshop

consisted of two-and-a-half days of hands-on training for ShipCSX and our suite of e-business tools. Topics covered were submitting timely and accurate shipping instructions, proactively monitoring traffic, retrieving rates, ordering cars, using the Interline Service Agreement (ISA) measurement tool and how to contact Customer Service regarding interchange service issues. "The response from attendees was overwhelmingly positive and they provided us with great feedback on how we can continue to improve our tools and strive for best in class," according to Eddie Chesser, director-E-Business. The next E-Business Workshop will

"The response from attendees was overwhelmingly positive,"

**Eddie Chesser
Director E-Business**

be held in Baltimore, Md. on September 25 and 26. You can register now for the Baltimore Workshop by going to <http://www.csx.com/?fuseaction=customers.forum>. For more information contact Gina Arnold at (904) 366-5058 or gina_arnold@csx.com.

A CSX training offering on industrial and site development for short lines was held in

Indianapolis, Ind. on June 21. This Railroad Industrial Site Workshop was attended by short lines, real estate developers and local and state economic development managers. "With growing demand for rail served industrial sites, we wanted to provide our short line partners with tools for identifying and developing good, competitive sites on their roads," said Charles McSwain, assistant vice-president-Regional Development. The training focused on the site selection for locating rail-served manufacturing and distribution facilities from the customer viewpoint. Case studies exemplified the value of teaming with state and local resources for site development. In addition short lines were coached on how land becomes a rail site and

being prepared to respond to a prospect or consultant's request for information. The training was conducted by McSwain and regional development managers Jeff Wagoner and Steve Davis. "In today's environment, a site must be shovel-ready in order to make the short list for many site searches," according to Wagoner. "I believe the short lines left with a better understanding of the industrial site development process and what they should be doing to bring their sites to market," said Davis. For information about future industrial development site workshops contact Gina Arnold at (904) 366-5058 or gina_arnold@csx.com.

NEW COAL FAST LOAD AND OPEN TOP CAR POLICY CHANGES

Effective June 1, 2007, CSX instituted a new policy and process that will eliminate the need to track and document the details of the train loading process and customer generated e-mails to CSX when a force-majeure occurs during loading. We will stop sending bills for delays in loading unless repeated delays are noted and continue.

As a result of this change, the Conductor's Loading Report is being discontinued. If a specific origin repeatedly delays train loading, the local CSX supervisor and a Coal Development representative will work with origin personnel to correct any problems. Coal Development will monitor subsequent trains loading at that origin. If the origin is unable to correct the problem, a charge be assessed on each successive train loading until the situation is corrected. The policy is documented in Tariff 8200-I Supplement 1.

Additionally, the Coal Producers have invested millions of dollars installing batch scales at the origin and CSXT is going to take advantage of their measurement accuracy. A new Open Top Car Policy (OTCP) went into effect July 1, 2007, such that the certified origin batch scale will be the governing weight for movement of a railcar. Trains loaded without

the benefit of a certified scale will continue to be subject to CSXT scales and defined limits. Safety concerns will always apply and override if a car is deemed mechanically unsound to transport the load.

In conjunction with this change, CSX is instructing the coal loading community to restrict loading in any 263,000 lb. UMLER rated 100-T coal hopper cars to no more than 270,000 lbs. maximum weight on rail. This includes all CSX system bottom drops, yellow belly tub cars and any other privately owned cars not UMLER rated for 286,000 lbs. capacity. UMLER rated 286,000 lb. capacity cars should continue to be loaded to 286,000 lbs. The policy is documented in the Open Top Car Policy.

Both reference documents can be reviewed from within the Coal Tariff section under the Customer tab of the csx.com website. We expect these changes to immediately simplify the loading process for both CSXT and our customers and to safely expedite train movements over our system.

CSX COMMERCIAL METRICS

AS OF JUNE 30, 2007
(CSX system-wide)

	Carload Volume	Change from 2006
Coal Coke & Iron Ore	927,589	-18,173
Emerging Markets	248,054	-19,542
Automotive	228,124	-22,610
Agriculture	199,572	+7,853
Food & Consumer	110,852	-16,000
Forest Products	184,172	-25,219
Metals	186,959	-1,619
Chemicals	267,368	-2,366
Phosphates & Fertilizer	180,919	-1,386
Total	2,533,609	-99,062