

Fall 2009

INTERCHANGE

CSX Transportation and America's Short Lines: Connecting For Growth

Short Lines and CSX: Delivering Value

Nationwide, 2009 rail volumes are down anywhere from 20 to 25 percent. Confronting some of the worst economic conditions we've ever seen, there are very few commodity groups with any upward momentum. Class I railroads and short lines alike are dealing with contracting GDP, plant closures, sourcing shifts, extremely high inventory-to-sales ratios, and excess transportation capacity in the trucking sector.

At CSX, with the exception of Agricultural Products, Coal, and Food, all major business unit volumes are down by more than 10 percent when compared to 2008. In some cases, such as Automotive and Metals, the economic downturn is especially brutal, with volume declines more than 40 percent. Overall, CSX carload traffic (exclusive of intermodal) is down approximately 20 percent through July.

Comparatively, interline traffic with our short line partners is down only 17 percent. In 2009, we are replicating favorable short line trends we have seen for the last seven years. Commodity sectors showing relative strength are Agricultural Products (which includes ethanol), Food, and Emerging Markets (which includes commodities such as rock salt, municipal solid waste, construction and demolition debris, and aggregates). With short lines, the areas hardest hit are Metals (negative 44 percent), Paper & Forest Products (negative 28 percent), and Chemicals (negative 15 percent). Through July, 34 short lines (22 percent of our interline connections) are experiencing growth in their volumes with CSX, and this number has been holding steady since

the beginning of the year. To underline the significance of our short line portfolio of business, 20 percent of all CSX business originates or terminates on short lines. We anticipate year-over-year comparisons will improve when we reach November or December, when the economic malaise first hit in 2008.

In difficult times like these, it's important that all of us remain very close to our customers. Our mutual customers need to know we're ready for the economic rebound when it occurs. Customers should understand our long-term compelling advantages to other modes (i.e. safer, more fuel efficient, friendlier to the environment, and more economical on an ongoing basis than next best alternatives). At CSX we maintained our capital spending in 2009 at approximately \$1.6 billion, consistent with long-term plans outlined three years ago.

In recent visits I've made to several short line properties, the issues of truck competitiveness and rail pricing were recurring themes. Many customers tell us that rail volumes are being lost to zealous truckers, especially when rail contract or tariff price renewals are accompanied with modest increases. While CSX cannot speak about specific prices in open forums, we generally feel rail is a long-term superior value. We believe our service, and the service of our interline partners, is competitively priced. Our joint-line challenge is to sell that value proposition and better understand where shorter-term adjustments to prices will generate incremental profitable traffic. Effectively and profitably utilizing capacity is always a challenge, and we welcome collaborative dialogue around sustaining and improving our interline volumes.

In doing business with CSX, another aspect of the relationship to remember is ease-of-doing business initiatives (utilizing E-Commerce tools, listing short line industrial sites with CSX, involving CSX's Service Start-Up & Integration Team on new rail moves, and participating in CSX's competitive price lists). All of these tools are intended to make the short line/CSX interface work better and be of more value to our mutual customers.

Our Short Line Business Development team is available to assist in all aspects of your relationship with CSX. Particularly in the areas of business retention and growth, we want to ensure our mutual customers understand the joint-line value we provide, and position ourselves for future growth. Let us know how we can be of assistance.

— Len Kellermann

IN THIS ISSUE

2 **Midwest Region**
Scrubber limestone deal

3 **Central Gulf Railway**
Rails run on water

6 **Use REDI To Get Ready**
Short lines can take advantage

8 **Contacting CSX**
Your tools enhanced

Collaboration Results In Long-Term Scrubber Limestone Deal

Short Lines Benefit From Training Opportunities

CSXT's Public Safety and Environment Department held their seventh annual hazardous materials safety training classes this year in Atlanta, Indianapolis, and Pittsburgh. More than 300 employees, representing short line railroads from each state where CSX operates, have now participated in the training and taken the valuable lessons learned back to their respective short lines.

The training held in the CSXT Safety Train classroom featured instructors who reviewed environmental regulations and compliance, waste management, hazardous material awareness and response, security planning, and train accident prevention. Following the classroom training, field exercises were held to demonstrate various tank car features and procedures to follow in case of a chemical release. The training also included handouts, CD-ROMs, and other reference material for short lines to take back to their railroads.

In a follow up survey, 100 percent of attendees this year said "they would recommend the training to one of their colleagues." Sound intriguing? Ensure that next year, you and your coworkers are equipped with the knowledge obtained by those that attended the training this year. We plan to offer an updated version of this training next year. Be on the lookout for registration materials in early 2010 for next year's safety training class. If you have any questions, please contact your CSX representative.



The Columbus & Ohio River Railroad (CUOH), a part of Genesee & Wyoming since October 2008, has partnered with CSX to increase business. CUOH operates lines in Ohio from Columbus to Cambridge, Mt. Vernon and Mingo Junction.

In collaboration with CSX and CUOH, National Lime & Stone, one of the major producers of crushed stone in the United States, constructed an aggregate distribution yard in Coshocton, Ohio in part to handle scrubber limestone. This limestone is used to remove sulfur dioxide from coal burning plant emissions. Stricter environmental laws are causing many coal-fired utilities to install desulphurization systems to control sulfur dioxide emissions when higher sulfur coal is burned.

The scrubber limestone will be transported from Lafarge via Midwest Terminals in Toledo, Ohio, and Hanson Aggregate's Mt. Vernon, Ky. quarry to Coshocton for surge storage and final truck delivery to American Electric Power's nearby Conesville Generating Station.

This new move will be handled by unit trains of 70 system open top hoppers provided by CSX. Initial volume to CUOH will be approximately 750 carloads for the remainder of 2009. This volume should increase to more than 2000 carloads per year.

"CUOH played a major role in the success of this project," CSX Market Manager Ken Kirkpatrick said. "The short line provided the site for the aggregate yard and spent considerable money to upgrade the track to serve it. CUOH is also providing excellent local service for National Lime & Stone to facilitate unloading of the unit train and its return to CSX, all in less than 24 hours."

"This initiative resulted from various CSX departments, National Lime & Stone, AEP, Lafarge, Hanson Aggregates, Coshocton Trucking and CUOH working together to make this move a success," CUOH Market Manager John Murray said. "The partnership has afforded us all the ability to capture thousands of carloads of new business."

CG Railway: Tracking From Mobile to Mexico

Most people think of railroads as a mode of transportation that operates solely on land, but the CG Railway Inc. (CGR) gives new definition to the term short line railroad. The CGR, a STB-approved short line and a subsidiary of International Shipholding Corp., operates between Mobile, Ala. and Coatzacoalcos, Mexico. The quickest route from Mobile to Coatzacoalcos is by crossing the Gulf of Mexico – and that is exactly what the CGR does.

The CGR operates two vessels that sail every four days from the U.S. to Mexico. The vessels are equipped with two levels of railroad tracks, so when the vessel reaches the port, it aligns with the tracks at the terminal and the cars are switched on and off. Both vessels can accommodate all types of rail cars and have the capacity to carry 115 cars. This service provides U.S. customers with access to the Mexican market and vice versa, given that CGR connects with multiple U.S. and Mexican railroads. CSX connects with the CGR in Mobile, and the Alabama State Docks (TASD) does the switching work on behalf of CGR in Mobile.

Approximately 36 percent of CGR-CSX traffic is southbound into Mexico and the remaining 64 percent is northbound traffic from Mexico. In 2008 volume between CSX and CGR grew by more than 170 percent. This astronomical growth earned CGR CSX's 2008 award for the short line that generated the highest interline carload growth. Driving the growth in 2008 were alcoholic beverages, particularly Corona beer coming from Mexico, and the woodpulp market.



“CGR handles the most alcoholic beverages of any short line that connects to CSX,” says Jonte Baker, CSX market manager-Alcoholic Beverages. “CSX and CGR have an excellent partnership that will hopefully result in additional cross border opportunities for both railroads.”

Even in the down economy, where short line volume in the southeast was off 26 percent at the end of the second quarter of 2009, CGR continued to grow at a rate of 11 percent. This is a good indicator that some short lines are still experiencing growth, despite the dire economy. CSX looks forward to an ongoing partnership with the CGR to capitalize on market opportunities in the U.S. and Mexico.



[...]

We don't share the highways, but we can
make them more enjoyable to drive.

More freight on our rails means less congestion on our highways.

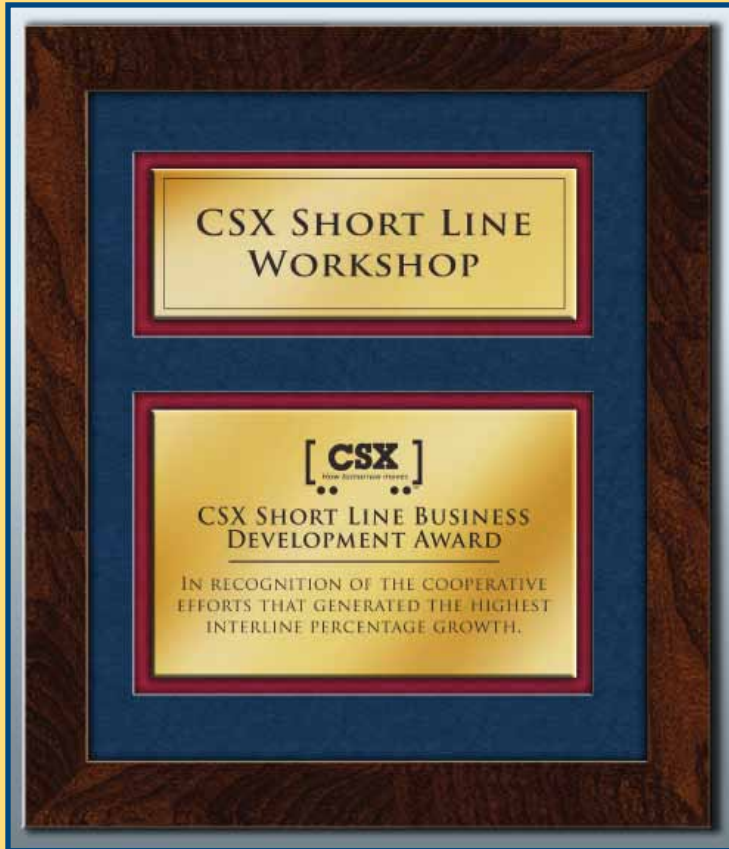
How tomorrow moves



21st Annual Short Line Workshop

March 7-9, 2010

CSX is proud to announce its 21st Annual Short Line Workshop, which will be held March 7-9, 2010. Chairman, President, and Chief Executive Officer Michael Ward will be the keynote speaker for the workshop, which will also feature other informative presentations by CSX senior leaders. Short line participants will also have the opportunity to network with CSX personnel during our popular trade show and gain a broader understanding of the markets during specific presentations or break-out sessions. Registration information and a tentative agenda will be available in December. We encourage all short line employees who have regular dealings with CSX to attend the workshop, and hope to see you in March.



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

Commemorative plaques will be awarded to the interline or junction settlement roads that grow the most 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.

Winners will be announced at CSX's 21st Annual Short Line Workshop in March of 2010.

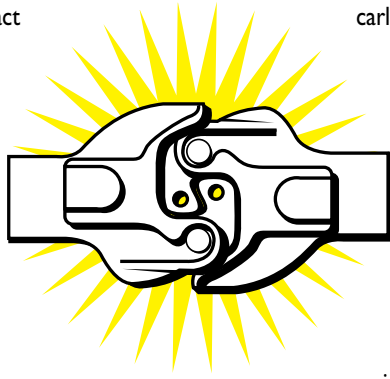
Results through July

| INTERLINE OR JUNCTION: | | Volume (carloads) | Percentage |
|--|--------|--|------------|
| Iowa Interstate Railroad (IAIS) | +4,151 | New York & Ogdensburg Railroad (NYOG) | +325% |
| Transkentucky Transportation Railroad (TTIS) | +3,228 | Sequatchie Valley Railroad (SQVR) | +174% |
| Port Bienville Railroad (PBVR) | +1,188 | Livonia, Avon & Lakeville Railroad (LAL) | +76% |

| SWITCH: | | Volume (carloads) | Percentage |
|---------------------------------------|--------|--|------------|
| Delray Connecting Railroad (DC) | +1,536 | Eastern Illinois Railroad (EIRC) | +233% |
| Birmingham Southern Railroad (BS) | +1,193 | The Port Terminal Railroad of South Carolina (PTR) | +157% |
| Golden Isles Terminal Railroad (GITM) | +1,022 | Knoxville and Holton River Railroad (KXHR) | +29% |

Growing Your Railroad With New Business

Ladies and Gentlemen, start your engines! While the impact of the stimulus funding is lagging, the resurgence in stock prices, slightly improved liquidity in capital markets and a flattened rate of decline in rail volumes are signs that the recession has bottomed. We need to be working with customers to get their next projects in the ground and on rail. Nothing in the public consciousness or the sustainability movement indicates anything has changed about the attractiveness of rail transportation. At CSXT the industrial development team is still working hundreds of projects. These are businesses who know that the time for due diligence was during the downturn and as soon as markets rebound they need to be in production and moving freight.



So far in 2009, arguably the worst economic period in most people's lifetime, our short line partners won 27 percent of the projects announced by CSX. Short line projects wins will add nearly 10,000 cars, with 11 new projects moving a variety of commodities. Cement, municipal solid waste, chemicals, fertilizer, food distribution, stone, lumber and an ethanol terminal creates a list of growth opportunities for our partner roads. Scrubber stone has large traffic opportunities being shared by short lines, as well.

Overall at CSX, the markets related to energy are still very active. Bulk materials used in infrastructure construction are positioning for public funded projects with big wins in cement and sand accounting for 11,000

carloads of growth. In addition, short line partners are finding ways to win back truck business through interline business plans. Some short lines are examining truck lanes that could be converted to unit train moves.

Public funding for rail has been an opportunity embraced by our regional and short line partners for years. The atmosphere now is even better, especially where new job creation can be tied to the investment in rail. Don't be shy about getting your infrastructure included in a TIGER application or the like. Although the requests far outweigh the available funds, many of our partners have the connections to make good use of these funds. At Regional Development we traditionally let the customers drive this conversation, but now the metropolitan planning organizations (which funnel huge volumes of Federal DOT funds) and states are openly asking the railroads for project suggestions to help alleviate traffic concerns.

Optimistic about the next six months, the entire CSXT team is focused on hardening the infrastructure for improved customer service. Despite the economic downturn, capital investment continues at planned levels and CSXT will be ready for the resurgence of traffic. Regional Development is focused on capturing new traffic and helping prospects find the best location for good service on our network. Many times the best location is your short line.

Customers Use REDI To Get Ready!



Over the past few years, the Railroad Education Development Institute (REDI), CSX's flagship training center based in Atlanta, has been very busy. Since February of 2005

CSX has trained more than 18,500 CSX craft jobs, 3,200 managers and trainers, and in 2009, nearly 125 customers.

That's the difference. Not only do we work with our customers for safe rail operations, we train them. With a "we're in it together" attitude, CSX focuses on rail safety, switching, locomotive operations, and mechanical classes for our customers. CSX is committed to make training our customers and short lines a priority in its 84,000 square foot training center.

Customers and short lines can attend the REDI in person, or courses can be suitcased and taken on the road to their facilities. Course length and cost varies by craft, as well as the participants' knowledge of rail operations.

Next year will be one particular waste customer's second year working with the REDI. This customer enjoyed the training earlier this year and has planned an on-site annual refresher training starting next January. REDI will deploy a staff of instructors to work with them at their facilities on the east coast, with possible expansion to their west coast facilities in the future.

From humble beginnings in 2005, to the current state-of-the-art rail training facility, REDI is offering services to all customers and short line railroads, as well as public safety and first responders. Classes are offered in the following: Conductor, Locomotive Engineer, Track Maintenance, Mechanical Car, Welding, Signal Maintenance, and various other crafts. REDI includes a working seven-track yard that allows students to have hands-on training using the latest in locomotive and signal simulators.

If you'd like to get more out of your rail operation, then you need to get REDI. For more information or a tour of the facility, call 1-888-752-9168.

NYC-Area Trash Means Cash To New York & Atlantic Railway

The New York & Atlantic Railway (NY&A) recently increased its residential and municipal waste business – and in the process, took trucks off the highway.

This short line originates a move of 1.7 million pounds of waste daily from New York City. It travels in sealed containers aboard extra-long flat cars, from a fully permitted transfer station in Brooklyn, N.Y. Owned and operated by Waste Management Inc., the transfer station was recently redesigned to accommodate rail shipments.

The NY&A pulls the traffic every night and delivers it to their Fresh Pond Yard in Queens, N.Y. The short line interchanges it there with CSX Transportation, which then continues the 750-mile trip, which ultimately comes to an end in a Virginia landfill, also owned by Waste Management.

NY&A began test movements in late January and handled its first regular shipment in February. Previously, this waste was all trucked to a Pennsylvania landfill.



Rail shipments are projected to eliminate 13,000 trucks annually. The diversion from truck to rail reduces greenhouse gases and other pollutants in this heavily populated region. NY&A President Paul Victor estimated that this move alone will save more than a half-million gallons of fuel over the next 10 years.

The NY&A also handles smaller shipments of waste and recyclables from Long Island, and a fair amount of food, lumber, paper, and chemical products into the largest metropolitan area in the United States.

CSX Commercial Metrics

as of July 31, 2009
(CSX system-wide)

| | Carload Volume | Change from 2008 |
|-------------------------|------------------|------------------|
| Coal Coke & Iron Ore | 941,279 | -167,118 |
| Emerging Markets | 238,148 | -57,571 |
| Automotive | 112,776 | -101,117 |
| Agriculture | 255,436 | -2,783 |
| Food | 60,548 | -5,208 |
| Forest Products | 155,569 | -55,640 |
| Metals | 113,662 | -109,712 |
| Chemicals | 251,515 | -57,797 |
| Phosphates & Fertilizer | 161,930 | -54,052 |
| Total | 2,290,863 | -610,998 |



500 Water Street - J848
Jacksonville, FL 32202

Useful Information From CSX Transportation For Short Line Railroads

Contacting CSX

At CSX, our number one core value is “It Starts With The Customer.” One way our customers and short line partners can reach a variety of CSX personnel is through CSX’s website, www.csx.com. From here our customers can find appropriate phone numbers, or if a phone number is not available, send a comment or question to the appropriate area of the company for a response. The process is quick and easy. Follow these steps:

1. Go to www.CSX.com
2. Click on the “Customers” tab
3. Look under “Commodities” or “Services” for the area of the company that you would like to call
4. Click on the “Contact Us” link located under the corresponding business unit/office

In the event that you are not able to find the contact you are looking for, the following alternative steps should get you a response from the appropriate area of the company within seven days:

1. Go to www.CSX.com
2. Click on the “About CSX” tab
3. Click on the “Contact Us” link located on the lower portion of the page. This will open a new page where you will find our emergency phone number (800-232-0144) and a drop down menu with our non-emergency contact information.
4. For non-emergency issues:
 - a. Select a category (TellCSX or Learn more)
 - b. Click on the “Action” link
 - c. Fill in the required information
 - d. Click “Submit”

Responses will generally be made via phone within the following seven days to any inquiry made using TellCSX.