

Fall 2010

# INTERCHANGE

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

## 2010 and the Economic Recovery... A Mixed Bag

Through the second half of 2010, new business development with our Short Line partners remains a core activity on which CSX will focus. We very much need our short lines' collaboration, coordination, and cooperation to drive profitable volume growth within our industry, and to demonstrate value to our mutual customers.

In the first half, sequential volume improvement with short lines began in February. By May, we achieved an overall favorable variance in carload volume compared to 2009 (+1%, or approximately 3,300 new carloads). Key drivers have been the Metals, Chemicals, and Agricultural Products markets. Despite stiff truck competition and aggressive rail bidding, we have been able to sustain and grow our interline volume in these vital markets. We have had less success in the more economically challenged markets like lumber/paper, food/beverages, construction materials, and coal. In all of these markets we continue to struggle with year-over-year volume comps that are slightly negative at CSX and with our short line partners.

The economic recovery, albeit welcome, has not brought our industry anywhere close to where we were in 2006-2007. Because it likely will be 2012-2013 before we see a truly robust economy, it is imperative we stay laser-focused on profitable and sustainable modal conversions. We must not allow existing profitable business to erode. With our short lines' proximity to customers and their local economies, CSX is heavily dependent on short

served is the lifeblood of our mutual success.

Additionally, we want to remind short lines of key processes and/or business tools that they can take advantage of: 1. Retail Price List participation; 2. Interline Service Agreement (ISA) development; 3. CSX's suite of E-Business services and applications (car ordering, track and trace capabilities, junction/interline settlement accounting tools, etc.); 4. CSX's Service Start-Up & Integration team (see article on page 3); 5. 24/7 Customer Service assistance. All of these functionalities are intended to make our industry easier to do business with. Effective usage on your part should help our mutual customers recognize the value of our combined service, and hopefully justify them awarding us more of their business.

If you have any questions about how CSX can assist your railroad or raise functional awareness in any of these areas, please contact your short line representative.

Thank you for the traffic we interchange with you, and best wishes for a safe, productive, and prosperous balance of 2010.

*Len Kellermann*

**Key drivers for increased carload volume have been the Metals, Chemicals, and Agricultural Products markets.**



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# CSX Short Line Caucus Committee

In 1996, CSX established a short line caucus committee to provide its short line partners better communication channels, allowing them to learn about marketing campaigns, new business opportunities, operations, and other CSX initiatives. The committee also set out to address short line industry issues with CSX and offer suggestions on how to improve our working relationship. With time, the caucus committee's impact on CSX has become much broader, and now acts as a steering committee providing inputs and insight on a variety of strategic issues that are important to the short line industry. Since its inception, the caucus has been instrumental in the development and support of our Interline Service Agreement (ISA) measurement tool, public pricing documents, junction settlement accounting efficiencies and the success of our short line workshop.

The caucus committee consists of ten elected short line members, usually presidents or vice presidents of their companies, and the ASLRRA president. The committee usually meets three times a year and holds one conference call. Henry Lampe, President Chicago South Shore & South Bend Railroad and current caucus committee chairman, recently hosted a quarterly meeting on his railroad in Michigan City, Ind. Other short lines in the area were invited to participate so they could gain a better understanding of the caucus committee and the issues discussed.

The caucus committee plays an important role in the establishment of CSX initiatives, which support CSX's short line partners as well as providing valuable feedback on issues facing the short line industry.

## 2010 CSXT Short Line Caucus Committee Members

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# Service Start-Up and Integration Group “Installs” New Business on Short Lines

“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 group that is responsible for making the transition to rail service a smooth and error free experience for any customer - including those located on our short line and regional railroad partners.

The Service Start-Up and Integration 10 member team is located across the CSXT rail network. Managers work with customers new to rail and 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. They work in conjunction with the necessary CSX departments, along with the appropriate personnel on the short line railroad, to “install” the new business. The ultimate goal is seeing that customers have a seamless, defect-free start-up so they’ll want to do more business with CSXT and our partner railroads.

During the installation the group uses a new business certification process that includes a 30-item checklist to insure that all critical pre-movement activities are completed prior to the initial shipment, thereby avoiding common start-up problems. These activities include:

- Ensuring the customer submits the appropriate credit application;
- Collecting and disseminating the information required internally for the customer location to be properly set up or updated in our computer system;
- Communicating the business requirements internally across all departments to identify and resolve potential operations or resource issues prior to first move;
- Encouraging the use of our preferred methods of doing business;
- Educating the customer in how to do business with CSX on topics such as:

**Load Engineering and Design / Freight Damage Prevention** - Ensure the customer knows the proper type of car to fit their needs and how to properly load/unload it;

**ShipCSX** - Encourage the customer to apply for and use ShipCSX services and help get them set up for training if necessary;

**Business Requirements** – Review particular requirements of key CSX systems, such as car order and forecasting, bill of lading submission method and criteria, preferred payment methods, etc.;

**Role of Customer Service** in problem resolution;

**Supplemental Services and Charges** – Educate customers about applicable tariff charges and how charges are calculated;



**Special Considerations** – Review requirements and potential issues relating to certain shipments such as weights, hazardous material, clearance or dimensional, etc.;

**Rail Safety** – Discuss safety topics such as debris and weeds along tracks, hoses and other connections, handbrakes, wheel chocks, close clearances, on-track or on-car worker protection, ramps and gang boards, etc.

We encourage all of our short line partners to use the Service Start-Up and Integration Team for all new customers locating on short lines. If you have any questions or would like additional information about the Service Start-Up and Integration group, please contact Gary Gambill at (904) 359-1267.

# Narrow Banding Information/Update

The change from wideband to narrow band radio operations is underway with a scheduled completion date of December 31, 2012. As of July 1, 2010 all Class I railroads need to have narrow band-capable radios in locomotives operated in run-through service and/or at interchange locations. Beginning January 1, 2011 and ending December 31, 2012 all railroads should be implementing their plan for the wideband to narrow band transmissions change over. This means that your interchange with Class I railroads

could be affected as early as January 2011. Effective January 1, 2013 wideband transmissions will be prohibited by the Federal Communications Commission.

The change to narrow band radios will affect all VHF radios including: hand-held portable radios, vehicle and on-track equipment radios, locomotive radios, dispatcher radios, contractor radios, customer radios and CSX radios on customer property.

## The following radio models can be reprogrammed for Narrow Band operation:

- Motorola CDM1550, Mobile
- Motorola CDM1250, Mobile
- ICOM F5061, Mobile
- Kenwood NX700, Mobile
- Kenwood NX200, Portable
- Kenwood TK-2180, Portable
- ICOM F30, Portable
- Motorola PI225, Portable



## The following radio models will have to be replaced:

- Motorola Spectra, Vehicle or Locomotive
- Motorola GM300, Vehicle
- Motorola MCX1000, Vehicle
- Motorola MCX100, Vehicle
- Motorola MAXTRAC, Vehicle
- Motorola MAXON, Vehicle
- Motorola PI110, Portable
- Motorola HT-1000, Portable
- Motorola HT-600, Portable
- Motorola GP350, Portable
- Motorola MT500, Portable
- Motorola PT500, Portable
- GE Monogram, Portable

The following is a high level overview of each CSX division indicating the approximate dates in which the transition to narrow band will be complete. CSX has named Rich Bitting as its point person for all narrow band issues and questions from our short line partners. Rich can be reached via email at: [Rich\\_Bitting@CSX.com](mailto:Rich_Bitting@CSX.com) or by phone at (904) 332-6078.

**Albany:** September 2011

**Atlanta:** April 2011

**Baltimore:** September 2011

**Chicago:** September 2011

**Florence:** April 2011

**Great Lakes:** June 2011

**Huntington:** June 2011

**Jacksonville:** April 2011

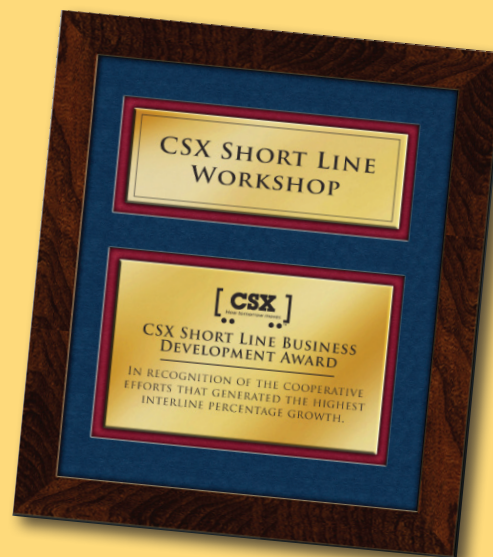
**Louisville:** June 2011

**Nashville:** April 2011

The CSX Radio Service Center can assist short lines with their narrow band implementation needs. For more information contact Gary McLellen at 502-810-5600 or [Gary\\_McLellen@CSX.com](mailto:Gary_McLellen@CSX.com).

# 22<sup>nd</sup> Annual Short Line Workshop

CSX is proud to announce its 22<sup>nd</sup> Annual Short Line Workshop, which will be held March 6-8, 2011 at the Renaissance Regent at the World Golf Village, St. Augustine, Fla. 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 key topics during specific presentations or break-out sessions. Registration information and a tentative agenda will be available in January. We encourage all short line employees who have regular dealings with CSX to attend the workshop and we look forward to seeing you in March.



## The Race Is On For Short Line Awards

Commemorative plaques will be awarded to the interline or junction settlement roads, and switch carriers, that grow volumes the most with CSX (in volume and percentage).

Winners will be announced at CSX's Short Line Workshop in March.

## Results through July

INTERLINE OR JUNCTION:		Volume (Carloads)	Percentage
Paducah & Louisville Railroad (PAL)	+3,829	Greenville & Western Railway (GRLW)	+1,152%
Indiana & Ohio Railway (IORY)	+3,557	Carolina Coastal Railway (CLNA)	+241%
North Carolina & Virginia Railroad (NCVA)	+3,345	US Rail Corporation (USRP)	+238%
Greenville & Western Railway (GRLW)	+2,684	Depew, Lancaster & Western Railroad (DLWR)	+140%
Providence & Worcester Railroad (PW)	+2,479	Carolina Southern Railroad (CALA)	+68%

SWITCH:		Volume (Carloads)	Percentage
Union Railroad (URR)	+5,164	Cleveland Works Railway Company (CWRO)	+402%
Cleveland Works Railway Company (CWRO)	+3,981	Ann Arbor Railroad (AA)	+264%
Indiana Harbor Belt (IHB)	+2,099	McKeesport Connecting Railroad (MKC)	+113%
Terminal Railway, Alabama State Docks (TASD)	+1,170	Pittsburgh & McKees Rock Railroad (PAM)	+110%
McKeesport Connecting Railroad (MKC)	+1,083	Newburgh & South Shore Railroad (NSR)	+93%

# Empty Cars, Dead in Tow Locomotives and Passenger Cars

Empty car, locomotive, and passenger car moves affect many railroads. At CSX, we have two tariffs that cover the movement of all empty cars, locomotives and passenger cars. The CSXT 605I tariff covers all customer cars and the CSXT 9178I tariff covers moves where the railroad is the freight payer. Due to the infrequency of these types of moves being performed by many of our short line partners, many railroads raise questions when it comes time to move such equipment.

For customer ordered moves of these cars, CSXT 605I tariff (STCC 37422) should be used, which covers all empty car, locomotive, and passenger car moves. It is vital that short lines participate in this tariff prior to movement of the cars to ensure that they are properly compensated for the work they perform. Unlike many CSXT tariffs, the 605I does not absorb switching, only covers Accounting Rule 11 moves, and does not apply to/from stations within a switching district.

Empty cars will move without charge under this tariff if the move is preceded by a revenue line haul on CSXT within the previous 180 days.

## Chargeable moves include:

- New cars, or newly acquired cars, moving prior to their first loaded movement
- Cars that are re-stenciled with new initials and/or numbers
- Cars not listed in UMLER
- Change in ownership (re-stenciled)
- Cars moving for scrap

For railroad ordered moves of these cars, short lines should use the CSXT 9178I tariff (STCC 37422), which provides a 15% discount from the CSXT

605I and covers all empty car, locomotive, and passenger car moves. In order to qualify for the rates associated with the CSXT 9178I, the railroad must be the freight payer.

CSX also requests that advanced written notification be submitted to the CSX Clearance Bureau prior to any Dead in Tow Locomotive being delivered in interchange or originating on our lines for transit.

Please ensure the locomotives are listed in UMLER and have the correct AEI tags associated with the current move.

## There are three options you may use to submit the billing information:

1. ShipCSX website (if you need assistance, please contact our E-Commerce Division at 877-744-7279);
2. Fax your request to our Waybilling Department at 800-448-8984;
3. EDI Transmission

Following these guidelines will enable CSXT to improve handling and transit times.

Theo Vallas is the new Sr. Account Manager for Machinery and Transportation Equipment which includes the market responsibilities for empty car, locomotive, and passenger car moves. If you have any further questions, Theo can be reached at Theo\_Vallas@CSX.com or 904-359-1581.

## FAST FACTS Regarding PTC

As you are likely aware, CSX along with all of the other Class I railroads is required to implement a new positive train control system and have it operational by December 31, 2015. Many of our short line partners will be affected by the implementation of this new system. Recently we began having meetings with those railroads that will be affected by the implementation of PTC on CSX due to their trackage rights over CSX occurring in the same location as current passenger traffic. If you have any questions about the implementation of PTC, please contact your designated short line representative.

### PTC is designed to:

- Prevent train-to-train collisions
- Prevent overspeed derailments
- Protect against movement through a misaligned switch
- Protect on-track workers

### PTC Footprint:

- 16,300 track miles/12,855 route miles (76% of network)
- 3,600 road and local locomotives (88% of fleet)

### PTC Timeline:

- 2010-2012: Development and Testing
- 2013-2015: Field Deployment



# Protocol for Special Moves

CSX receives frequent requests from short lines for special movements of passenger equipment. These involve everything from re-positioning a single, empty passenger coach to operating an excursion train. While CSX makes a reasonable effort to accommodate these requests, first priority must go to safety and the conduct of our regular business. In all cases, CSX's operating guidelines require prior approval. For a movement to be approved, the equipment must meet the following guidelines:

1. Equipment must pass a CSXT mechanical inspection
2. Movement must be without passengers
3. Subject to occupancy by and instructions of a CSX officer or pilot during the move

Many short lines operate over lines of CSX under trackage rights agreements. Movements of passenger equipment do not normally fall within the purview of these agreements. In those few instances where trackage rights agreements specify that CSX will allow movement of passenger equipment, the agreement applies only to the tenant. It does not extend to third parties. If a tenant wishes to move a passenger coach as part of the revenue consist in its manifest train, such equipment must be approved in advance, and must meet the aforementioned guidelines. In addition, as policy, CSX does not allow movement of non-rotating end cap equipment, unless the move is approved in advance by our Chief Operating Officer.

In late 2010, CSX.com will feature a new page that will focus on special equipment moves. In the meantime, we encourage you to contact your Short Line Representative if you have any questions.

# Short Line Training Opportunities

Over the past few years, the staff at the Tony L. Ingram Railroad Education Development Institute (REDI), CSX's flagship training center based in Atlanta, has been very busy. Since February of 2005, CSX has trained over 19,000 CSX craft jobs, 3,200 managers and trainers, and nearly 200 customers.

At the REDI, 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 this 100,000 square foot training center which includes a working seven-track yard, providing students with hands-on training using the latest in locomotive and signal simulators.

Classes are offered in the following: Conductor, Locomotive Engineer, Track Maintenance, Mechanical Car, Mechanical Locomotive, Welding, Signal Maintenance, and various other crafts.



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.

## CSX Commercial Metrics

as of July 31, 2010  
(CSX system-wide)

	2010 Carload Volume	Change from 2009
Coal Coke & Iron Ore	878,580	-30,575
Emerging Markets	229,088	4,184
Automotive	181,718	72,760
Agriculture	252,555	5,255
Food	57,535	-953
Forest Products	147,972	-1,129
Metals	142,661	34,134
Chemicals	263,531	21,801
Phosphates & Fertilizer	181,396	26,073
Total	2,335,036	131,550



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## Useful Information From CSX Transportation For Short Line Railroads

### SHORT LINE DEVELOPMENT MANAGERS

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