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September 27, 2011

The Honorable Daniel R. Elliott III
Chairman, Surface Transportation Board
395 E Street SW
Washington, D.C. 20423-0001

Dear Chairman Elliott:

Thank you for the opportunity to share CSX's views on traffic volumes, capital investment, safety, service and other matters of critical importance to the nation's freight rail transportation system and its customers.

In this letter, CSX discusses actions taken to prepare for potential seasonal traffic increases related to what we believe will be a later, more contracted 2011 fall peak, and how the company intends to manage its traffic through the balance of this year and beyond. Please note that this letter may contain certain forward-looking statements as discussed later.

While the economy has slowed somewhat in the second half, we remain optimistic that gradual, steady recovery will continue. Near-term growth is still expected, but likely at a lower rate than forecast earlier in the year. To date, year-over-year growth in the merchandise market is in line with second-quarter performance, recent declines in the overall coal market are moderating, and intermodal growth is softer due to slower international trade.

CSX has taken a number of steps to increase its capability to maintain and improve service levels, including the addition of locomotives, rail cars and employees. These investments also are to prepare CSX for longer-term growth. Estimates from the Federal Highway Administration anticipate an approximately 60% increase in demand for freight transportation over the next 30 years. That will place increasing pressure on the nation's transportation infrastructure.

Capital Investment

CSX is preparing for that longer-term growth with planned capital investment in 2011 of $2.2 billion, on top of an $8.3 billion investment from 2006 to 2010. These are substantial investments in the quality, flexibility and capacity of America's ever more important transportation infrastructure. In fact, CSX has committed to spend, on average, 18% of revenue on capital projects through 2015.

The company is bringing on a total of 250 new locomotives through a combination of purchases, leases and rebuilds. In the second half, CSX will continue its acquisition of approximately 3,800 rail cars, also through purchases and leases, to support export coal and other markets.

Of course, railroads must begin making investments now to handle longer-range customer growth and needs. Orders for locomotives and rail cars require long lead times, and training front-line employees can take up to six months or more. Our infrastructure expansions, equipment purchases and hiring plans all line up with both short-term and long-term needs.

As noted in prior communications to the Board, much of CSX's capacity expansion continues to be focused on the National Gateway. This approximately $850 million cooperative venture with the federal government, six states and the District of Columbia is focused on the construction of a high-volume, double-stack cleared corridor from Mid-Atlantic ports to the Midwest. As you know, the $175 million intermodal terminal in Northwest Ohio opened last February. At full capacity, the Northwest Ohio terminal will be capable of handling 30 trains a day and 2 million containers a year, counting both block swaps and lifts.

Also among the major National Gateway projects is the planned $160 million rebuild of the century old Virginia Avenue Tunnel in Washington, D.C., and a proposal to build a new intermodal terminal to serve the Baltimore region. Additionally, CSX has announced the $59 million expansion of its intermodal terminal at Columbus, Ohio, and the $15 million construction of a facility in Louisville, Ky.

Export coal also has been moving at record volumes this year and is discussed in more detail later. To accommodate these export coal volumes, CSX has worked with the State of Alabama to increase capacity at the Alabama State Docks at Mobile. The company has also invested in improvements at its Curtis Bay facility in Baltimore and worked with third-party piers in Newport News, Va., to increase throughput.

Finally, CSX continues development work on Positive Train Control (PTC) that must, by federal mandate, be installed on certain key routes by 2015. That project is expected to cost more than $1 billion. CSX anticipates a very slight reduction in the scope and cost of implementation as a result of the proposed amendments to the Federal Railroad Administration rulemaking, moving the base traffic year for certain hazardous materials from 2008 to 2015. The company is committed to the 2015 deadline, but any extension would provide additional time to ensure an adequately tested PTC system, and offset any potential impacts on freight fluidity as CSX equips more than 3,600 locomotives and nearly 10,000 wayside locations.

Demand

Though the company still expects near-term growth, its outlook for the balance of the year has moderated due to overall domestic and global economic conditions. For example, volumes for export coal this year are currently projected to be between 40 to 42 million tons. Even as growth moderates, the long-term prospects for CSX remain solidly in place as customers continue to lever the economic and environmental advantages of rail.

As requested, here is some detail on key markets including coal, intermodal, agricultural products and chemicals:

Coal
Through much of this year, the domestic consumption of utility coal for electrical generation has been down year over year due to low natural gas prices and higher utility stockpiles. However, export coal has continued to grow. Adjustments in resources and targeted capital projects are helping to improve throughput at export piers to meet this demand. Most of the company's rail car purchases are focused on the coal market, and CSX continues to enhance productivity through 110-car unit trains and higher capacity rail cars. The company has also made significant investments in its computerized, web-based coal reservation system, allowing mines, coal receivers and the railroads to develop and coordinate real-time logistics plans.

Intermodal
While the market has slowed in response to economic challenges, intermodal remains a growth engine. Domestic growth has been driven by truck conversions. New international business has resulted from CSX's expanded service offerings and strategic investments in the National Gateway and other infrastructure. Overall intermodal volume was up 8% in the second quarter, but has moderated more recently with softer international trade.

Agricultural Products
Agricultural products, including ethanol, are challenged against a backdrop of higher commodity prices and lower crop yields, reduced animal production and declining exports. Both corn and bean crops are forecast by the U.S. Department of Agriculture to be lower than originally expected. Over the past few years, elevators and farms have increased their storage capacity. That trend, combined with CSX's addition of 900 higher capacity covered hoppers – each capable of holding 5,250 cubic feet of product – should provide for steady, fluid transportation of grain and grain products. More than 50% of agricultural products move on CSX in 90-car unit trains. Similar to grain, the ethanol market also is impacted by higher commodity prices and fewer miles driven by the public. Approximately 50% of our ethanol business moves in unit trains through CSX's extensive network of 14 terminals, all capable of handling unit trains.

Chemicals
As a whole, chemical traffic is not highly seasonal. In recent years, the heaviest periods have been spring and summer, with volume declining in the fall. Current trends suggest that this year will follow a similar pattern. Year to date, chemical carloads are up 2% over 2010. One chemical market that displays significant seasonal variability is liquid

propane gas (LPG), representing about 8% of CSX's chemical business. LPG volumes typically build in the fall and winter in response to higher demand for propane for home heating. Most of this propane traffic is concentrated in the Northeast and Mid-Atlantic states, and CSX is prepared to handle these higher seasonal volumes.

Safety and Service

At CSX, safety is the highest priority. Through August, and compared with the record year of 2010, reportable personal injuries were down 9% and train accidents down 15%. While these measures indicate excellent progress, we are deeply saddened by the loss of five employees. These tragedies underscore CSX's drive to reach its ultimate goal of zero injuries and train accidents.

Service is on an improving trend despite significant challenges from weather and even a rare eastern earthquake. The harsh winter impacted service through the first few months of the year. More recently the earthquake, a hurricane and tropical storm were factors in service delivery. CSX kept customers advised of service impacts and delays through ongoing sales and marketing channel contacts, regular postings on csx.com, Facebook and Twitter. With the exception of temporary congestion resulting from these events, there are no chronic congestion points on CSX, and none is anticipated.

About 30-40 train and engine employees (T&E) are coming on line each week to offset retirements, increase service levels and support growth. This will result in a net increase of about 450 T&E employees deployed across the network by year end. CSX also is adding 40 new terminal and line-of-road managers, and 28 customer service jobs. In total, CSX will hire 4,000 people this year – 3,000 to offset retirements and 1,000 for growth and technology projects.

The network remains fluid. Service metrics are trending in the right direction with the addition of equipment and personnel in the second half. While not at previously high levels, velocity, terminal dwell and on-time performance all are on an improving trend line. The longer-term focus remains on improving first-mile, last-mile local service and implementing the company's Total Service Integration Carload initiative to make the merchandise network more predictable and reliable.

Among our key service initiatives are fluid western interchanges, including Chicago. The Chicago Transportation Coordination Office, in which the Class I freight railroads work with Amtrak, Metra, Indiana Harbor Belt and the Belt Railway of Chicago, continues to manage operations effectively. In addition, CSX regularly participates in the Central Planning Group that periodically evaluates the Chicago terminal and freight construction agreements in that region. Two additional CSX projects related to the CREATE (Chicago Regional Environmental and Transportation Efficiency) initiative have come on line since last year. The high level of coordination in Chicago, among railroads and city and state leaders, combined with the CREATE infrastructure improvements by CSX and other railroads, are serving customers well. As you know, the Northwest Ohio terminal, referenced earlier, enables CSX to divert some of its transcontinental intermodal traffic away from Chicago.

The industry also continues to monitor the ongoing rail labor union negotiations. We remain hopeful that the United Transportation Union contract, recently ratified by its members, will serve as a model for agreements with the remaining two labor coalitions. As the Board knows, those two coalitions and the National Carriers Conference Committee are in a 30-day cooling-off period initiated by the National Mediation Board. While the industry is optimistic that agreements will be reached, CSX has developed contingency plans and is keeping customers informed. Only two days of work have been lost to legal strike activity during the past 20 years.

Customer Service

Customer Service is among the company's highest priorities. Along with the creation of new customer councils and the ongoing independent and objective third-party measurements of customer satisfaction, CSX continues to develop deeper insights into its customers' traffic volume forecasts and service needs.

During 2011, CSX initiated a comprehensive effort to reach out to customers located directly on its network with site visits to more than 5,000 customer locations. Through these visits, CSX has been able to gain a better understanding of customers' service needs, the design of their facilities, and other findings that could improve service, productivity, and growth. In addition to the interviews, CSX's Voice of the Customer initiative is leveraging technology with a Customer Relationship Management tool as a central reference point for all employees who interact with customers.

Passenger and High-Speed Rail

CSX already carries more than 90,000 riders on 220 Amtrak and regional commuter trains every day. The company has been building on a lengthy record of working cooperatively with government entities to explore appropriate High-Speed Rail solutions as well as conventional speed trains. Most recently, an agreement has been reached with New York State on its desired passenger rail improvements between Albany and New York City. During all of these discussions, CSX has been very consistent in the view that true high-speed trains need to run safely on sealed, dedicated corridors, and not on freight tracks.

CSX does, of course, share its tracks with conventional passenger and commuter trains, and is focused on the safe and efficient operation of those trains. Amtrak on-time performance year-to-date is 82.8%, compared to 85.2% in 2010. The company continues to focus on improving on-time performance for both Amtrak and the commuter agencies that operate on CSX. On-time performance for the commuter agencies year to date remains in the 90-percent and higher range, consistent with last year's levels.

CSX also continues to work with Florida and Massachusetts to complete transactions that provide new or expanded commuter rail service while enhancing freight capacity. In Florida, the transaction with that state's Department of Transportation is expected to close later this year. In Massachusetts, the company continues to work with the Commonwealth on its acquisition of the CSX line east of Worcester for expanded operation of commuter train service. Both the Florida and Massachusetts transactions will provide passenger *and* freight capacity enhancements.

Conclusion

This is an extraordinary time for CSX and all North American railroads. We are delivering competitive advantages for American business, higher investment, and attractive new jobs. We're doing all of these things while helping to solve some of the nation's most pressing problems, including air pollution and overcrowded highways. And unlike other transportation modes, railroads are paying their own way.

As discussed with the Board in June, CSX's performance helps to prove that the current laws and regulations are working. At just the moment the government is looking for ways to build the potential for U.S. businesses to grow, create jobs and boost export capabilities, a change in the economic regulation of freight railroads would be ill-advised.

CSX is doing what the nation is asking by investing $2.2 billion in 2011 to provide new transportation infrastructure, an expected 4,000 new jobs, and a safe and environmentally friendly solution to ease traffic congestion and reduce emissions.

Sincerely,

Michael Ward

Michael Ward

cc: The Honorable Ann D. Begeman
Vice Chairman
Surface Transportation Board

The Honorable Francis P. Mulvey
Commissioner
Surface Transportation Board

Mr. Edward R. Hamberger
President and CEO
Association of American Railroads

Forward-looking Statements

This document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act with respect to, among other items: projections and estimates of earnings, revenues, volumes, rates, cost-savings, expenses, taxes, liquidity, capital expenditures, dividends, share repurchases or other financial items, statements of management's plans, strategies and objectives for future operations, and management's expectations as to future performance and operations and the time by which objectives will be achieved, statements concerning proposed new services, and statements regarding future economic, industry or market conditions or performance. Forward-looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "project," "estimate," "preliminary" and similar expressions. Forward-looking statements speak only as of the date they are made, and the company undertakes no obligation to update or revise any forward-looking statement. If the company updates any forward-looking statement, no inference should be drawn that the company will make additional updates with respect to that statement or any other forward-looking statements.

Forward-looking statements are subject to a number of risks and uncertainties, and actual performance or results could differ materially from that anticipated by any forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by any forward-looking statements include, among others; (i) the company's success in implementing its financial and operational initiatives; (ii) changes in domestic or international economic, political or business conditions, including those affecting the transportation industry (such as the impact of industry competition, conditions, performance and consolidation); (iii) legislative or regulatory changes; (iv) the inherent business risks associated with safety and security; (v) the outcome of claims and litigation involving or affecting the company; (vi) natural events such as severe weather conditions or pandemic health crises; and (vii) the inherent uncertainty associated with projecting economic and business conditions.

Other important assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the company's SEC reports, accessible on the SEC's website at www.sec.gov and the company's website at www.csx.com.