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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 comment on CSX Transportation, Inc.'s (CSXT) perspective on traffic volumes, capital investment, safety and service improvements, and other issues of critical importance to the nation's transportation infrastructure.

This letter provides detailed information on the steps that CSXT is taking to prepare for the seasonal traffic of the 2010 Fall Peak and beyond. Please note that this letter may contain forward-looking statements as discussed later.

CSXT's overall outlook is for near-term continuing improvement in the economy, ongoing and substantial investment in the rail network to prepare for future demand, and other economic activity that creates jobs and provides compelling environmental and traffic benefits.

We believe the U.S. freight railroads have been successful in this challenging time because they offer the safest, most valuable, most secure, most environmentally friendly means of transportation available to meet the growing needs of the world's largest economy. Estimates from the U.S. Department of Transportation and other expert sources anticipate 67% growth in the freight industry by 2020, requiring billions of dollars for infrastructure improvements and expansion.

Capital Investment

That is why, despite economic uncertainty and the fact that the company does not currently meet its cost of capital, CSXT has maintained capital investment levels at historic highs during this severe recession. The numbers are impressive and, very importantly, the investment created jobs. We have spent \$5 billion on capital over the past three years.

In making these investments, CSXT assumes that sound, balanced federal regulatory policies will continue to permit the privately owned and maintained freight rail companies an opportunity to earn market-based returns.

As we focus on readiness for fall shipments, it is worth noting that CSXT expects to spend \$1.7 billion this year to replace parts of the existing network and build strategic expansions where demand is expected to rise. A significant portion of CSXT's investment will complete the double-stack clearing of key intermodal routes. The largest of those projects is the National Gateway, an \$842 million initiative among a coalition of six states, the District of Columbia, and CSXT to build a corridor between the Midwest and the Mid-Atlantic region.

The centerpiece is the Northwest Ohio Intermodal Terminal, which will redefine facilities in terms of technology, efficiency and environmental footprint. When complete early in 2011, the terminal will be capable of handling 25 trains daily and 630,000 containers and trailers annually. The National Gateway will have a tremendous impact over the next few decades: It is expected to lower CO₂ emissions by 20 million tons, reduce fuel consumption by nearly 2 billion gallons, and dramatically reduce highway congestion.

Meeting New Spending Mandates

Capital spending also is directed toward the development and installation of Positive Train Control, which CSX estimates will cost \$1.2 billion, not including ongoing maintenance expenses. Recently, the Federal Railroad Administration approved CSXT's implementation plan to install PTC technology on 3,600 locomotives starting this year, and about 10,300 wayside devices beginning in 2011.

Demand

CSXT experienced volume gains across major markets in the first half of 2010, and that growth is expected to continue in coal, merchandise and intermodal. Only the housing and construction sector remains weak. Although some inventories have increased in terms of absolute levels, much inventory replenishment to date is being offset by improvement in sales. This suggests a more pronounced Fall Peak than in the past two years.

Compared to 2009, overall freight volume is up 11% through August supported by:

- Intermodal up 20% with increases in both domestic and international markets.
- Merchandise up 8% with nearly every market showing signs of solid recovery with the exception of housing and construction.
- Coal up 3% primarily on exports to Asia and increased domestic industrial demand.

This is meaningful progress after the significant downturn that began late in 2008 and continued through the first half of 2009. That required CSXT to take immediate and decisive steps: the idling of 700 locomotives and 30,000 freight cars, and the unfortunate furlough of more than 2,500 employees.

Today, approximately 140 locomotives remain in storage, along with 14,300 freight cars across many types. Those locomotives can be made ready for service in about one week, and rail cars are being re-deployed as markets improve. Approximately 200 train and

engine service employees remain furloughed. While CSXT is re-introducing assets as volume increases, it is careful to preserve efficiencies and service.

Safety and Service

CSXT experienced its safest year in 2009, and is on pace to set another record in 2010. Injuries are down, thanks to an intense focus by employees on rules compliance and the implementation of innovative safety programs. In the second quarter of 2010, the FRA personal injury rate improved 14% versus the prior year to 1.14 injuries per 200,000 hours worked, or 10 fewer injuries than last year's quarter. This is the fifth consecutive quarter of year-over-year improvement.

The second quarter train accident frequency rate – FRA reportable train accidents per 1 million train miles – is flat. While stable with the levels we have achieved in the last three years, continuous improvement is not only necessary, but achievable. Reportable employee injuries and train accidents combined are down nearly 50% since 2005.

As for service reliability, the network remains fluid. On-time originations and arrivals remain consistent with the high levels of the past several years. Velocity and dwell also remain stable at high levels, though slightly behind last year when significantly fewer carloads moved.

Two major weather impacts of note have occurred so far this year, the first when severe winter storms impacted much of the Mid-Atlantic and Northeast regions. Frigid temperatures, massive snowfall, and ice accumulations slowed freight and passenger operations. In May, flooding washed over much of western Tennessee and Nashville, heavily damaging two rail bridges and closing the Memphis, Tenn., gateway, one of CSXT's four major interchange points with western carriers. Employees worked to re-open the more than 200-mile-long Memphis-Nashville line ahead of schedule by month's end. In the meantime, trains were re-routed over other rail carriers in another example of industry cooperation to keep freight moving safely and reliably.

CSXT will continue to focus on leadership in safety, service, capital investment and disciplined cost control to drive increased operating leverage and execution of the network plan.

Intermodal Market

Intermodal transportation is a major part of the solution to help ease growing highway congestion. Domestic and international intermodal business is up as a result of increased consumer demand, tightening capacity among motor carriers, improved rail network options and increased port activity.

Equipment is readily available to meet that demand with a domestic container fleet of approximately 23,000 boxes. To address international container capacity, CSXT is offering ocean carriers market-based empty container pricing. Such pricing encourages supplemental box supply in those markets where imports are inadequate to support export demand. With these incentives, ocean carriers are repositioning containers from surplus points such as New York-New Jersey to more remote inland demand points.

Two structural changes have occurred in the company's intermodal business. The company has switched from a purchased transportation arrangement to the new UMAX domestic interline program offered jointly with the Union Pacific. Through coordination between CSXT and UP, improved interline service is creating a competitive advantage in key transcontinental lanes with shorter transit times and more reliable service. New markets have been developed along with an expanded container pool.

The company also made a structural change in its organization, merging the previously separate CSX Intermodal company into CSXT. The merger reflects a change that will make management alignment similar to that of other Class I railroads and establishes a commercial presence more consistent with today's freight transportation business.

Agricultural Market

Within the agricultural sector, volume growth has been driven by increased shipments of fertilizer, feed grains and ethanol. Fertilizer inventory replenishment continues with a strong 2010 planting season, and feed grains and wheat shipments also improved. Ethanol volume grew as well on increased gasoline consumption.

Grain is expected to have a strong harvest driven by record corn and soybean crops. Shipments are up to southeastern animal feed points, CSXT's primary agricultural market. The export grain market represents less than 3% of CSXT's agricultural business, but a shortage of world wheat production and good domestic wheat supply should result in incremental export increases. Resources are adequate to meet overall agricultural demand. A total of 600 new covered hoppers are coming on line to support expected traffic levels. To maximize the supply of crews and locomotives, CSXT will operate larger, 90-car unit trains and offer fast load/unload incentives to further promote asset utilization.

Coal, Coke, Iron Ore Market

Coal, coke and iron ore is not expected to see any significant Fall Peak relative to the current year or last year's fourth quarter. Even with the hot summer in CSXT-served regions, utility stockpiles remain above historic levels, though down from the substantial utility reserves of last year. Most utility buyers are accepting contracted tons only. As those stockpiles are drawn down, utility demand should improve.

In the industrial sector, domestic metallurgical coal, coke and iron ore volumes rose with stronger steel production. The export coal market, currently forecast at about 30 million tons, has seen a pause in vessels moving to Asia, freeing up vessels for European-bound exports. The net result is that export shipments of metallurgical quality coals continue at a steady rate.

In all of these markets, locomotive and rail car fleets are expanding and crew starts increasing to handle additional volume and seasonal surges. However, significant capacity exists with opportunities to fill out existing trains. CSXT estimates as much as 10% capacity exists in the merchandise network, and 15-20% in intermodal. Once those existing trains

are filled out, CSXT will generate additional train starts, though, as noted, the company is intensely focused on maintaining operating leverage.

Customer Service

Another initiative to improve capacity and service is Total Service Integration (TSI), which aligns our operating capabilities with our customers' needs. TSI, which was introduced in 2007, is now widely deployed on CSXT's network, combining the mutual productivity and efficiency benefits of process changes and infrastructure modifications to better serve customers.

CSXT communicates with its customers on a regular basis through its many sales and marketing, customer service and operations professionals. The company's web site, www.csx.com, provides information about service plans and maintenance curfews, and the ShipCSX web-based tool offers easy order placements and shipment status tracking. CSXT is attuned to the voice of the customer, and the company is creating a customer advisory board to meet periodically with senior commercial, operating and planning management to share experiences and ideas.

Passenger and High-Speed Rail

CSXT has considerable passenger-freight overlap and is cooperating with public authorities to extend passenger services in key areas. For example, we are supporting the scheduled 2013 startup of Florida's SunRail commuter system in the Orlando area. In Massachusetts, CSX and the Commonwealth have a framework agreement to substantially expand commuter rail service. It is important to underscore that in both of these cases, the states worked closely with the company to forge constructive agreements that provide new or expanded commuter service, without diminishing capacity for current and new freight traffic.

At the same time, new high-speed rail is a top Administration priority. When properly confined to a separate, sealed corridor, high-speed rail can perform at the highest levels of safety and reliability.

CSXT is engaged in productive discussions with states that desire high-speed rail. In the decision-making process, the company is obligated by legal and fiduciary duties to require that any new passenger service – conventional or high speed – meet four principles. First, there can be no safety degradation; second, freight capacity must be preserved for existing and new customers; third, there must be fair compensation for property rights and no subsidy from the host railroad for passenger operations; and fourth, there must be adequate liability protections.

Where it is possible for railroads to be helpful, they have been. But there remains substantial uncertainty about the costs of these commitments and the manner in which the projects will protect and grow the nation's invaluable freight network. A balanced approach is called for that enhances passenger rail while protecting one of America's essential advantages in the global economy, and we believe that in most cases such an approach can be derived through the constructive engagement of all stakeholders.

Conclusion

In closing, CSXT and the other freight railroads are poised to continue to deliver far-reaching and substantial public benefits. Those include global competitive advantage, environmental benefits, traffic relief and good jobs. At the same time, the railroads could be hindered by broad regulatory uncertainty—including threats of economic reregulation, concerns about freights bearing costs of passenger service, and PTC implementation requirements that reach beyond the legislative mandate.

We respectfully urge the STB to take all of these factors into account, and to understand their collective weight and implications for the U.S. freight railroads. We urge the STB to help foster transportation policy that will allow U.S. freight railroads to grow, and to serve. As always, CSXT will continue to work constructively with customers, the communities through which it operates, and the STB.

Very truly yours,



Michael J. Ward

CC: The Honorable Francis P. Mulvey
Vice Chairman
Surface Transportation Board

The Honorable Charles D. Nottingham
Commissioner
Surface Transportation Board

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

Forward-Looking Statement

This information and other statements by the company 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, 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 does update 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 full year 2010 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.