



HEARING ON PROPOSED RECIPROCAL SWITCHING REGULATIONS

SEAN PELKEY

EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER

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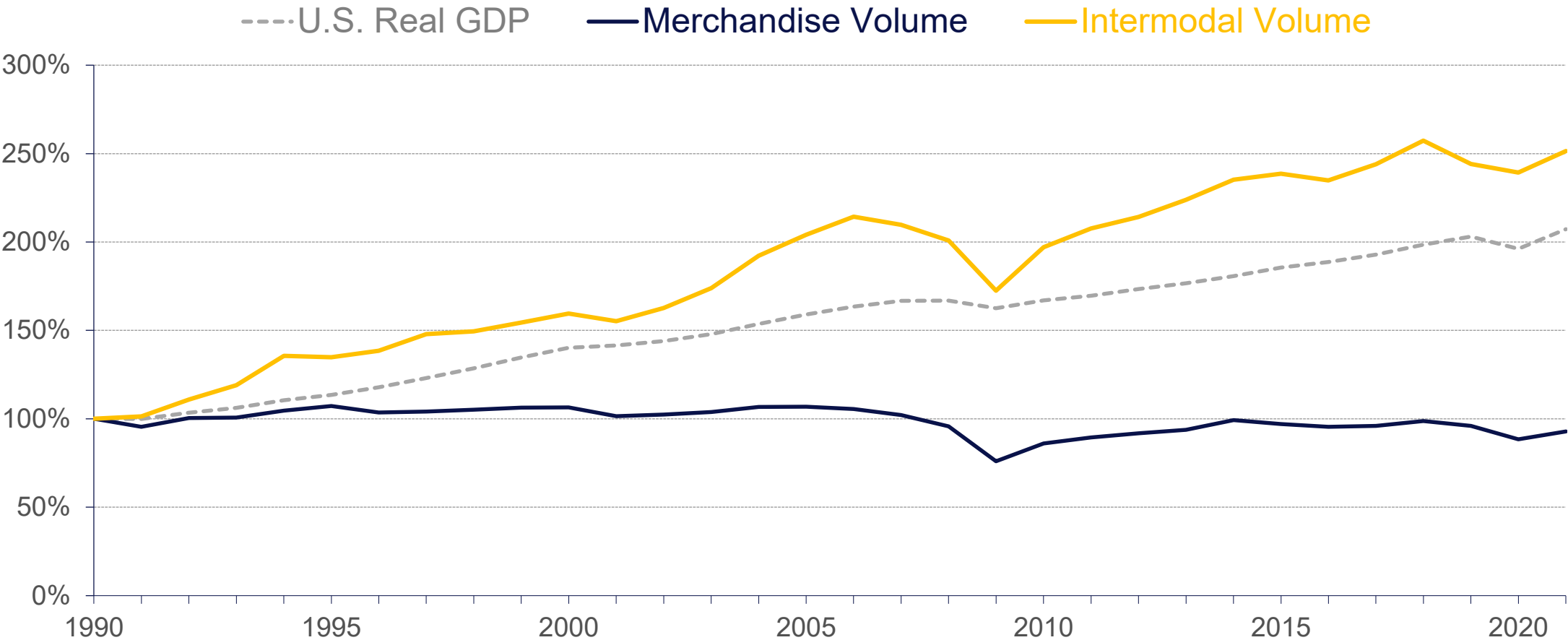
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March 2022

Rail growth story has been mixed over last several decades

Growth in U.S. Real GDP vs. U.S. Rail Traffic Originated
Indexed to 1990



Truck conversions present an enormous environmental opportunity

2018 Ton Miles by Distance Band (Billions)		
Distance Band (Miles)	Truck	Rail
< 100	204	7
100 – 249	327	31
250 – 499	482	96
500 – 749	285	145
750 – 999	180	169
1,000 – 1,499	248	478
> 1,500	344	506

Rails are **3-4 times more fuel efficient** vs. trucks



During 2018, **1.1 Trillion Ton Miles** moved via truck at distances greater than 500 miles



Moving that traffic via rail means:

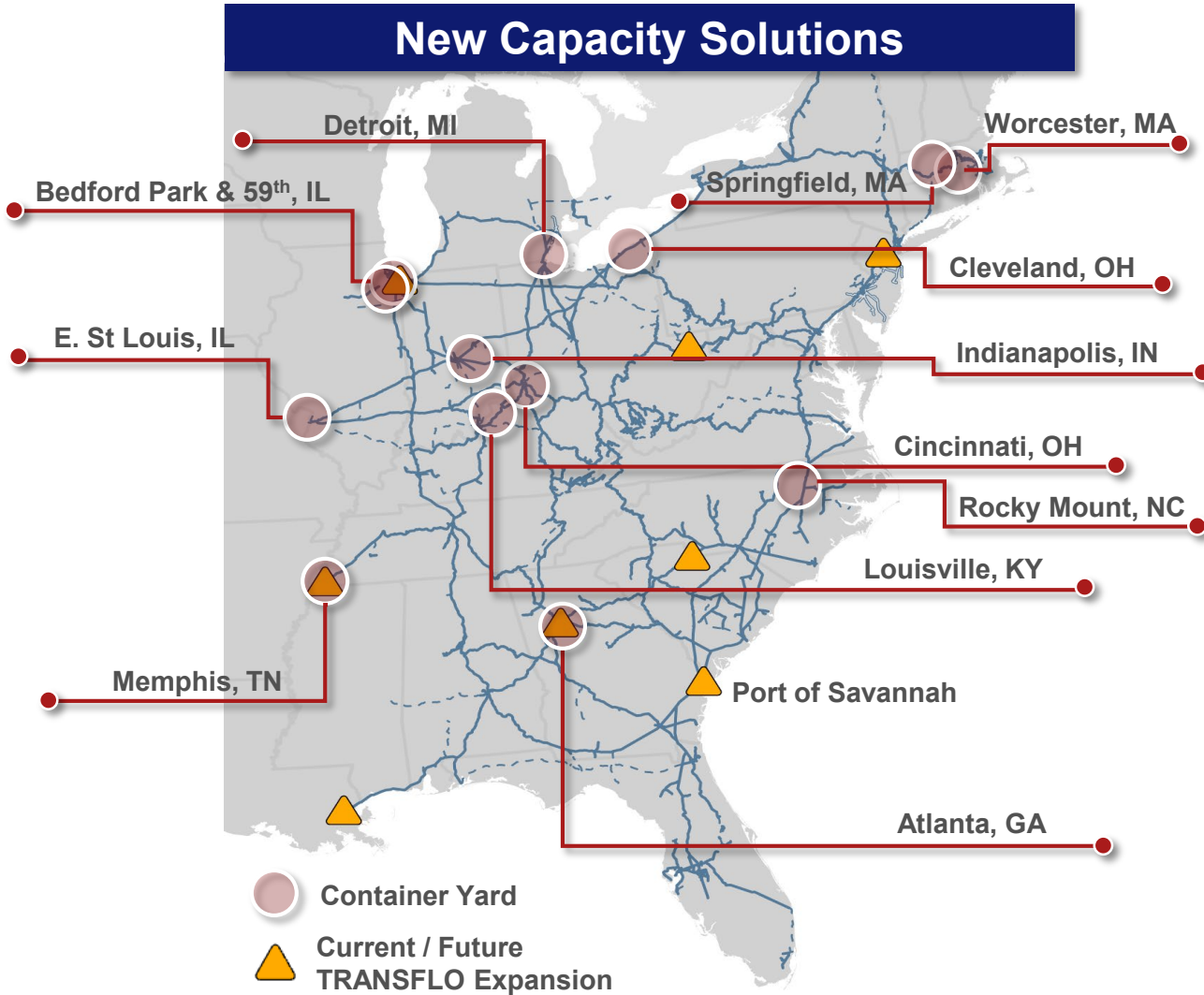
- 5.6 billion gallons of fuel saved
- 62 million ton reduction in CO₂ emissions
- Equivalent to nearly 1 billion trees planted

CSX has transformed – safety, service, efficiency and profitability



Investing in solutions to address supply chain challenges

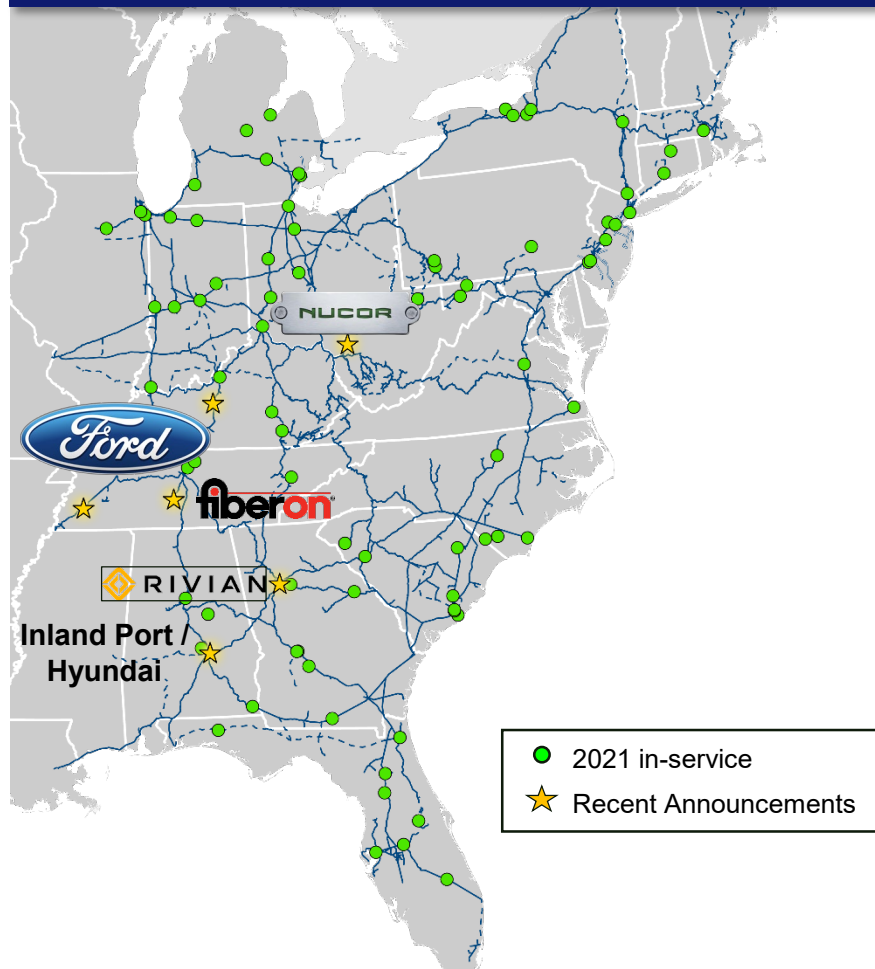
New Capacity Solutions



- 13 overflow container yards at key terminals throughout the network to create additional storage and capacity
- Additional drayage solutions to maintain terminal fluidity
- Partnering with Georgia Port Authority on South Atlantic Supply Chain Relief Program utilizing inland rail yards, freeing up truck capacity and reducing congestion at the port terminal
- Port-to-port East Coast lanes to alleviate marine terminal congestion and provide a rail solution for diverted vessels
- Creating tactical solutions to address container shortages through accelerated repositioning
- Implemented steel-wheel solutions for West Coast cargo moving direct to non-traditional eastern markets
- Aggressively adding TRANSFLO capacity solutions in Merchandise network to address truck shortages
- Increasing customer solutions team by ~40%
- Developing CSX select sites for customer growth needs

Business development is a critical tool to grow our portfolio

Recent Industrial Development Wins



- The Business Development team is key to locating customers on CSX for the long-term
- Since September, CSX has announced wins with five major customers at six sites
 - Identified Select Sites help customers find locations that are ready for development on their needed timeframe
 - Continued engagement with state and local economic development teams to increase visibility and market intel
 - Currently promoting 19 Select Sites with plans to add four more in 2022; also adding a new platform for smaller sites
- In 2021, 92 projects were put in-service
 - Total includes 66 new locations and 26 expansions
 - Continuing to develop rail served sites to attract customers; partnering with short lines to extend reach
 - Strong pipeline of opportunities over next five years

Let the record show – “Our goal is to move more freight”

“This entire company is focused on making sure that we meet the needs of our customers. And if we can do that, we're very confident that we should be able to **grow the business** at a rate above the historical norm.”

- Citi Conference March 2020

“As we've all said [a] million times, it's not about OR. This is not about how low can we go, how many heads can we take out...**Our goal here is to move more freight.**”

- CSX October 2021 Earnings

“We're open for business. We're chasing every piece of business that we can get after. **Our strategy is to grow this company.**”

- CSX April 2020 Earnings Call

“It's about **growing** operating income and cash flow. I can focus on having the lowest operating ratio in town and in shrinking my operating income and cash flow. I don't know that any investor that would find [that] an intriguing investment thesis.”

- Bernstein Conference June 2021

Compensation is also directly tied to long term growth

CSX 2017-2019 Long Term Incentive Program
Performance Components



Early Scheduled Railroading Transformation:
Improve profitability and asset utilization

CSX 2022-2024 Long Term Incentive Program
Performance Components



The Future of CSX:
Attract and invest in profitable, long-term growth

CSX's strategy is aligned to growth



Supply chain and business development investments



Acquisitions – Quality Carriers and Pan Am



Hiring – ~1,500 new conductors since Jan. 1, 2021



Capacity investments in sidings and clearance projects



Alignment of long term management incentives

Reciprocal switching would directly impact the incentives we already have to invest for growth

CSX's improved profitability enables new investments

- A shipper has asked CSX to invest **\$10 Million** in rail capacity upgrades at the customer's facility
- With the investment, CSX adds **\$7.5 Million** in annual revenue and 3,000 incremental carload

	Scenario 1: Pre-Scheduled Railroading		Scenario 2: Post-Scheduled Railroading	
	Years 1-3 Business Locked	Years 4-10 75% Retention Probability	Years 1-3 Business Locked	Years 4-10 75% Retention Probability
Revenue per Carload	\$2,500	\$2,500	\$2,500	\$2,500
Annual Revenue	\$7.5M	\$7.5M	\$7.5M	\$7.5M
OR on the Business	75%	75%	60%	60%
Annual Operating Income	\$1.9M	\$1.9M	\$3.0M	\$3.0M
Probability	100%	75%	100%	75%
Weighted Annual Cash Flow ¹	\$1.4M	\$1.1M	\$2.3M	\$1.7M
Rate of Return	3%		14%	
Will CSX Invest	NO		YES	

Reciprocal switching uncertainty will prevent growth investments

- The probability of retaining business after the 3-year contract is another major consideration in CSX's analysis
- **Reciprocal switching makes our projections much less certain...**

Revenue per Carload
Incremental Annual Revenue
OR on the Business
Annual Operating Income
Probability
Weighted Annual Cash Flow ¹
Rate of Return
Will CSX Invest

Scenario 3: Reciprocal Switching

	Years 4-10 Business Scenarios		
Years 1-3 Business Locked	Keep business at lower rate	Lose to other RR; receive switch fee	Lose to Truck
\$2,500	\$2,140	\$500	
\$7.5M	\$6.4M	\$1.5M	
60%	70%	75%	
\$3.0M	\$1.9M	\$0.4M	\$0.0M
100%	50%	25%	25%
\$2.3M	\$0.8M		
5%			
NO			

CSX