

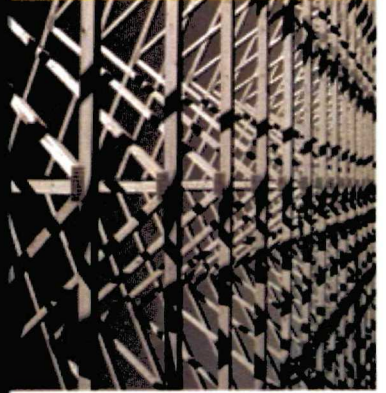


[CSX]
How tomorrow moves

COMPETITION IN THE RAILROAD INDUSTRY

Michael Ward
CSX Chairman, President and CEO

June 22, 2011

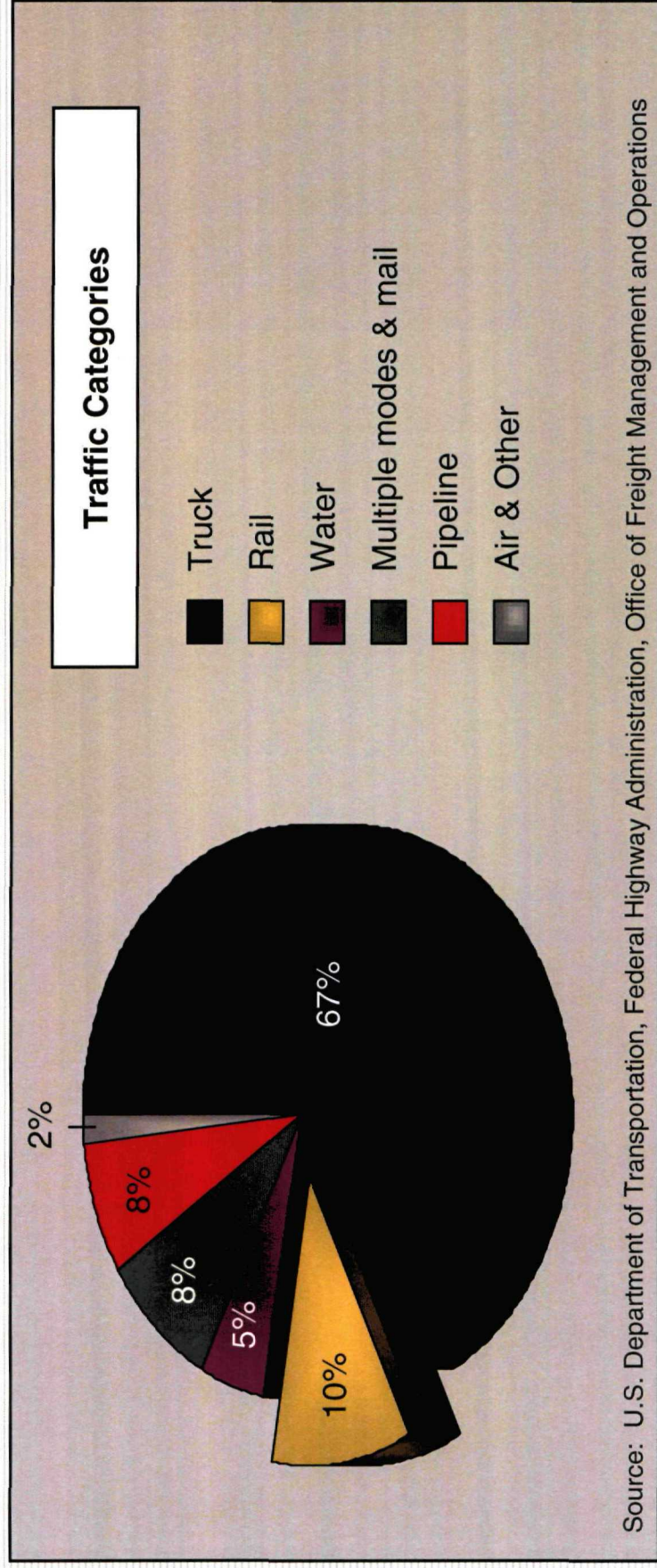


Rail viability is critical to the economy

- **Public policy is served by a strong rail system**
 - *U.S. rail system is best and most efficient in the world*
- **Rail capital investment requires cost of capital returns**
 - *CSX is investing 18% of revenue in capital through 2015*
- **Rail profitability depends on long-haul freight moves**
 - *Shorter hauls will constrain profitability, decrease investment*

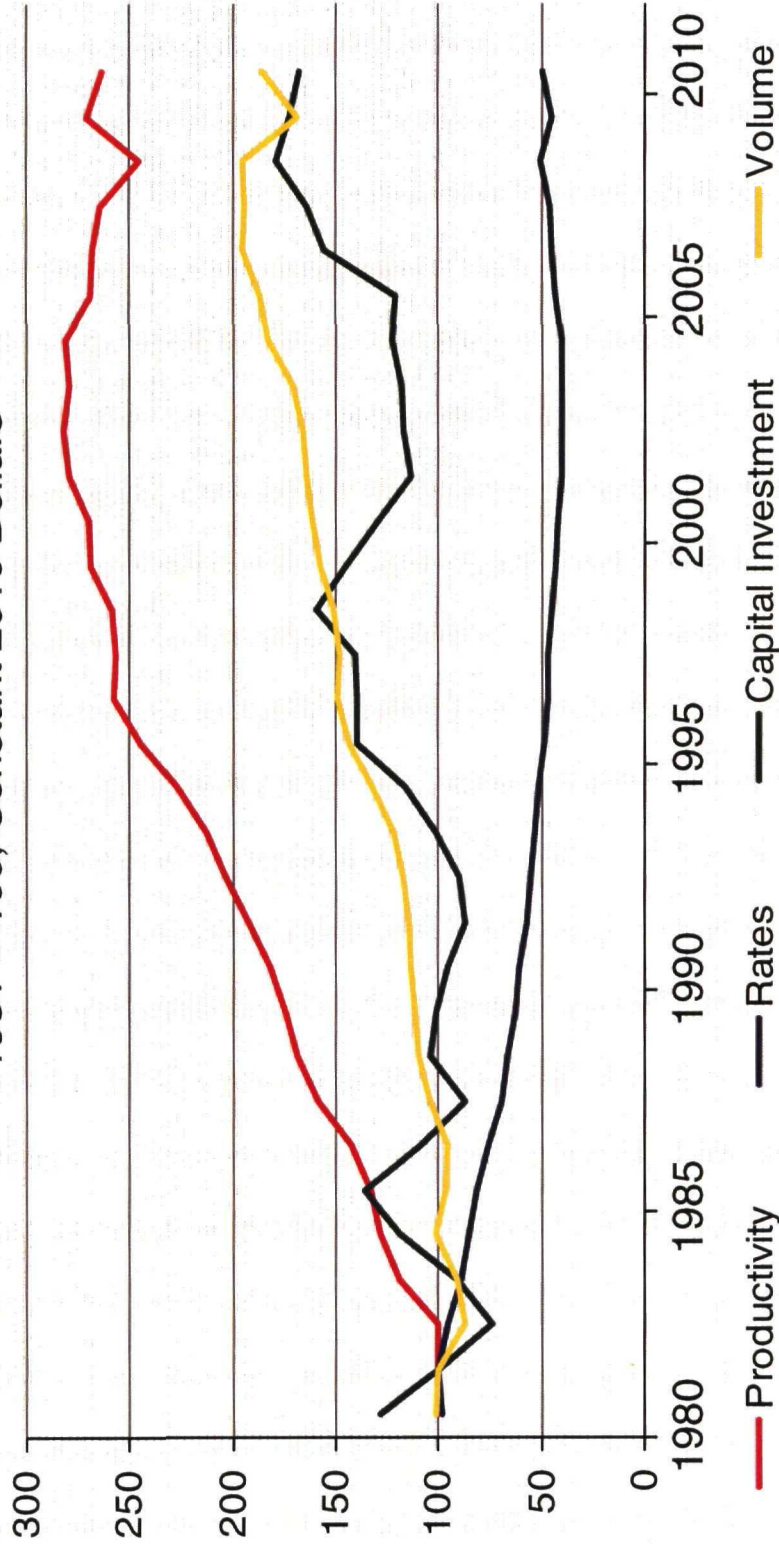
Competition for freight traffic is pervasive

Shipments by Transportation Mode 2009 (millions of tons)



U.S. rails are safe, efficient and investing for growth

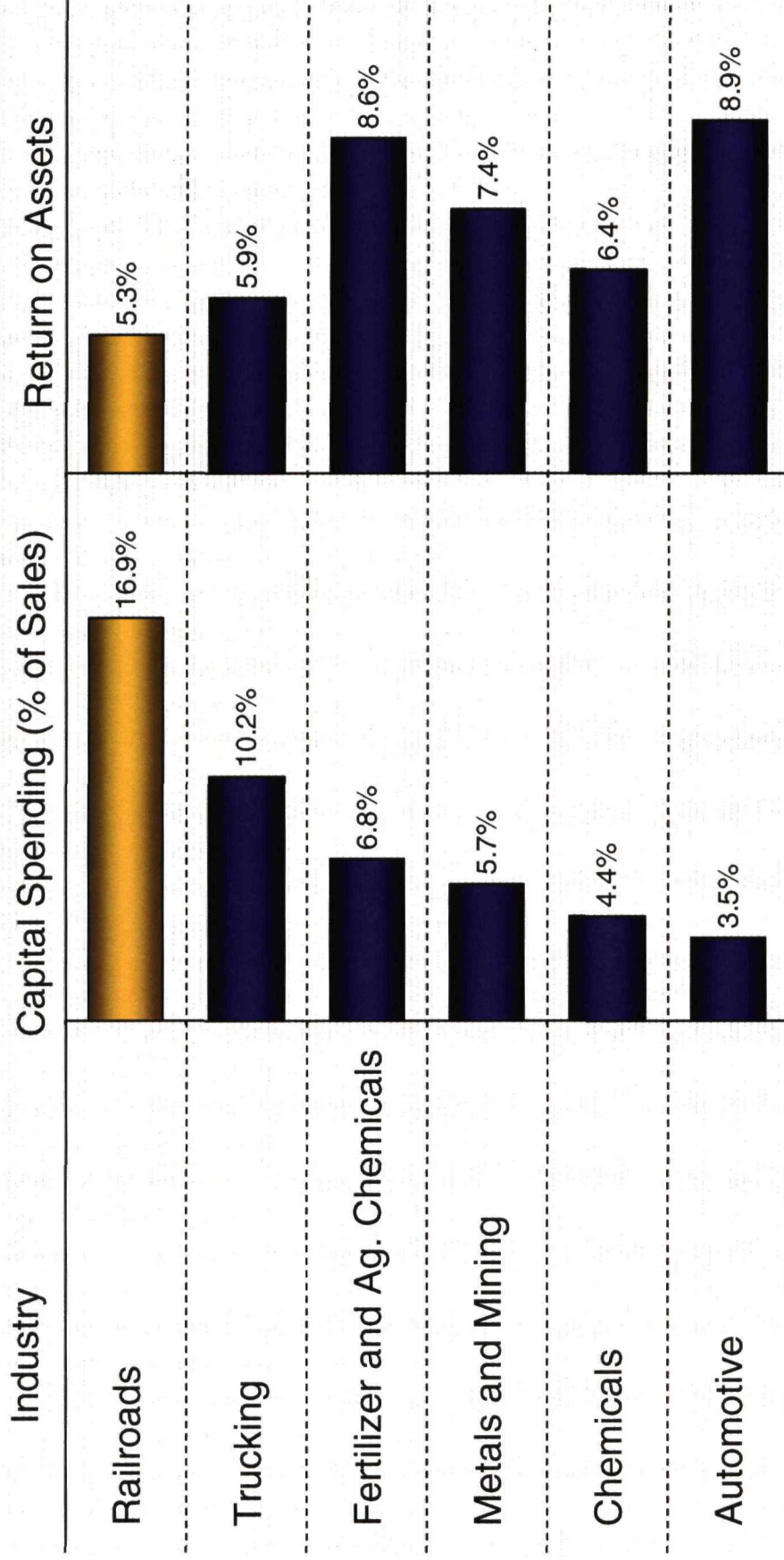
Rail Performance Indicators
1981 = 100; Constant 2010 Dollars



Source: AAR; "Rates" are revenue per ton mile; volume is ton-miles

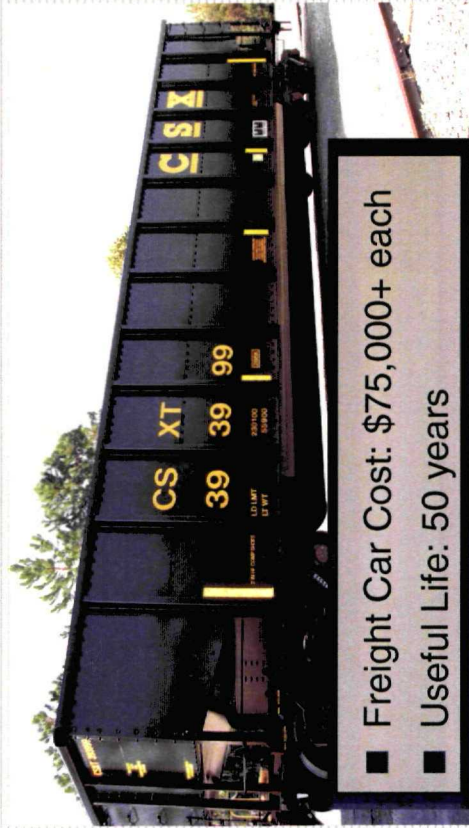
The ability of rails to invest depends on a solid return

Median Company Five Year Average (2006 – 2010)

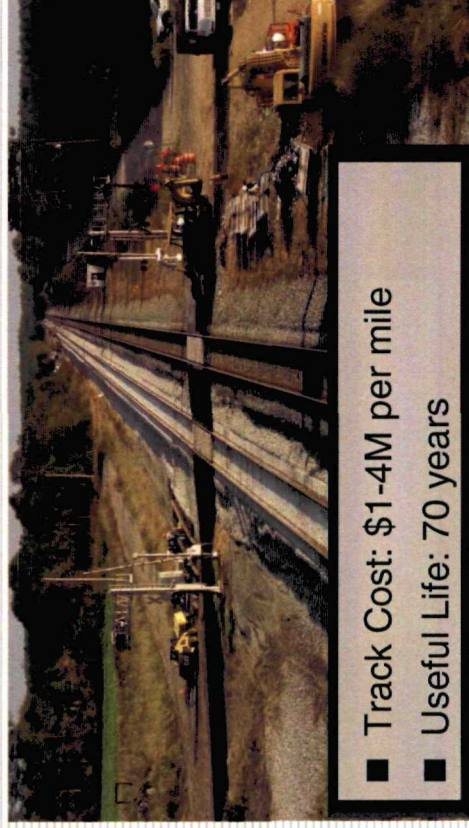


Source: Boston Consulting Group

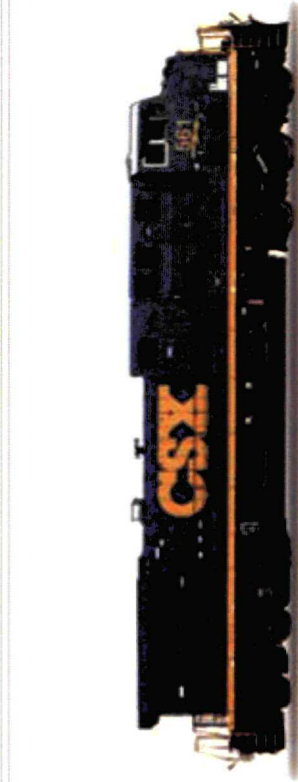
Rail capital investments are costly and long-lived



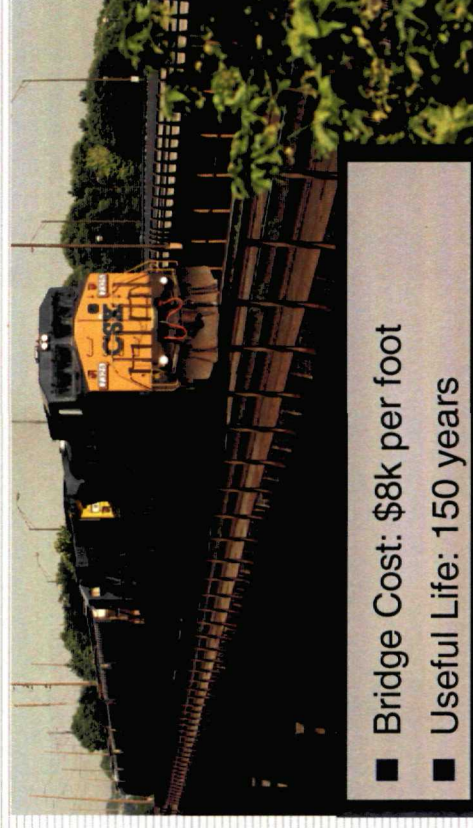
- Freight Car Cost: \$75,000+ each
- Useful Life: 50 years



- Track Cost: \$1-4M per mile
- Useful Life: 70 years



- Locomotive Cost: ~\$2.5M each
- Useful Life: 30 years

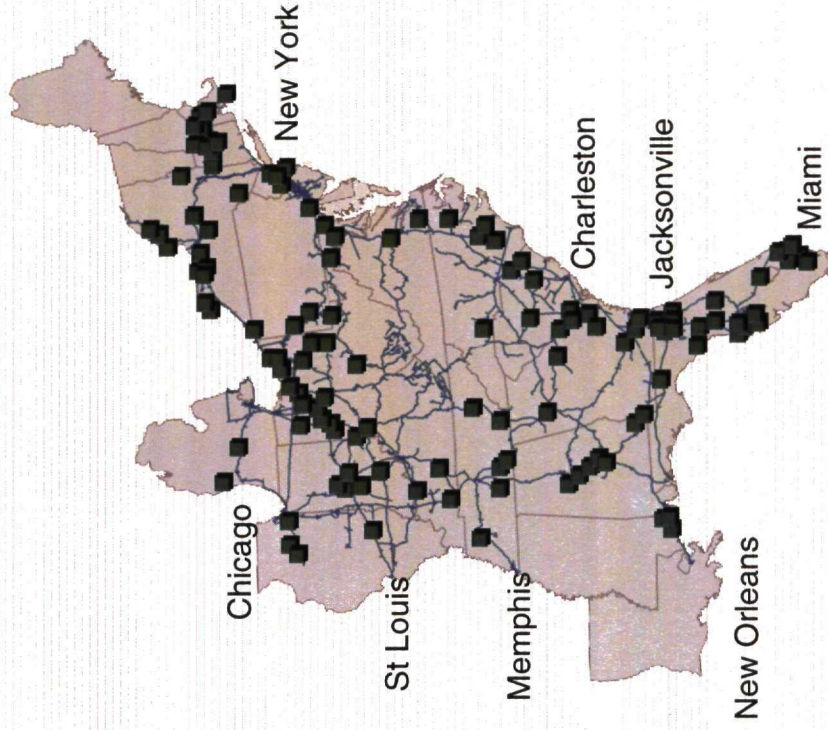


- Bridge Cost: \$8k per foot
- Useful Life: 150 years

Note: Useful lives are a function of proper maintenance

More customers are choosing to invest in rail

2010 Industrial Announcements on CSX

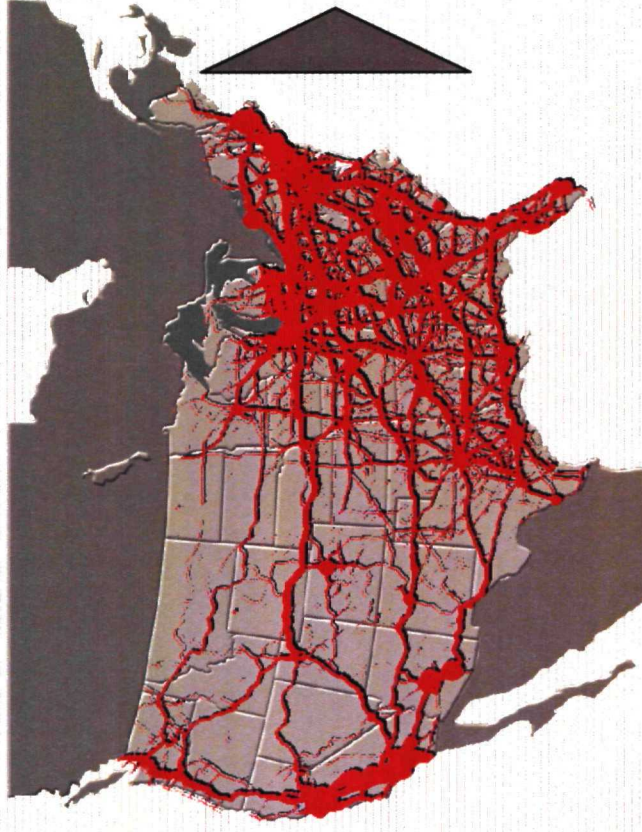


In 2010, CSX announced:

- Opening of 130 new or expanded customer facilities
- \$3.6 billion of customer private capital investment
- Over 5,000 new customer jobs created

Rails must continue to serve critical freight needs

2020 Highway Congestion



Freight demand
projected to grow more
than 60% by 2040

Changes to balanced regulation will hurt rail's competitive position

Source: USDOT FHWA Freight Analysis Framework