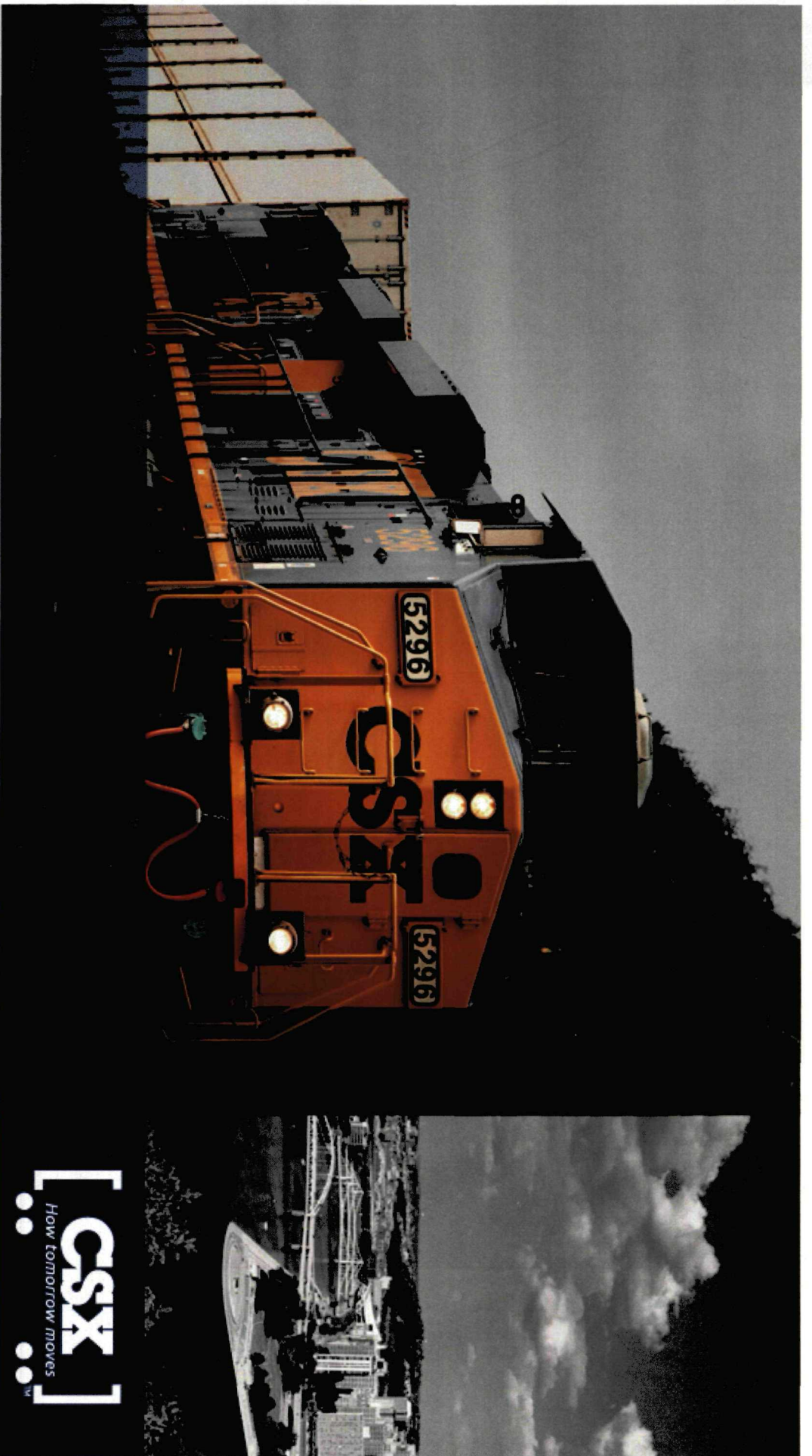
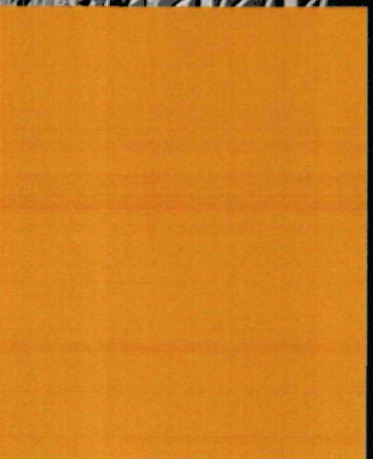
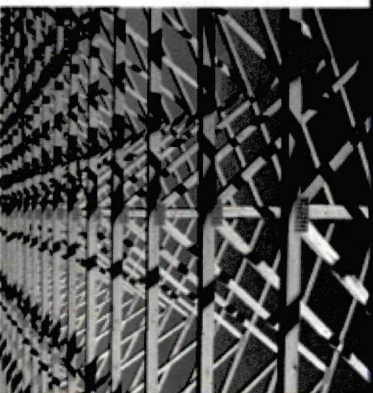




**STB Exemption Hearing, EP 704
February 24, 2011**



[CSX]
How tomorrow moves™

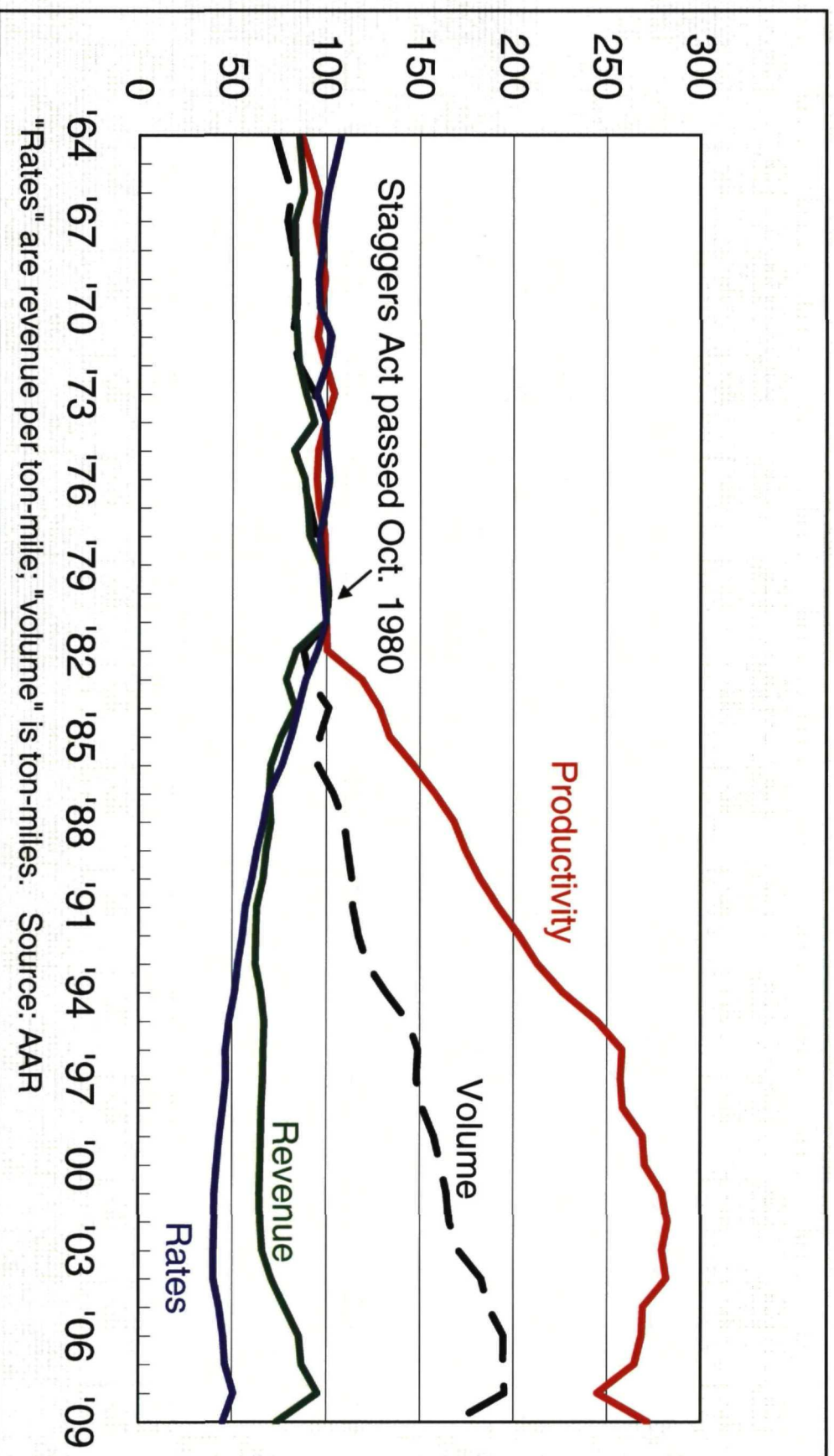
Executive Summary

- **Congressional and Economic Preference for Market-Driven Rates and Services**
- **Experience Shows that the Current Regulatory Scheme is Working**
- **Competition Has Been and Remains Pervasive**
- **Continued and Increased Reinvestment is Required to Meet Present and Future Expectations**

Market-Driven Solutions

- **Primary Principle of Rail Transportation Policy:**
 - Competition and demand should establish reasonable rates, to maximum extent possible
- **Markets Guide Every Aspect of our Business:**
 - What capacity to increase
 - What services to offer
 - What equipment to buy
 - What rates to charge
- **Ultimate beneficiaries are the customers and consumers**

Performance and Rates Since Staggers



Post-Staggers Cultural Transformation

■ Pre-Staggers Mentality:

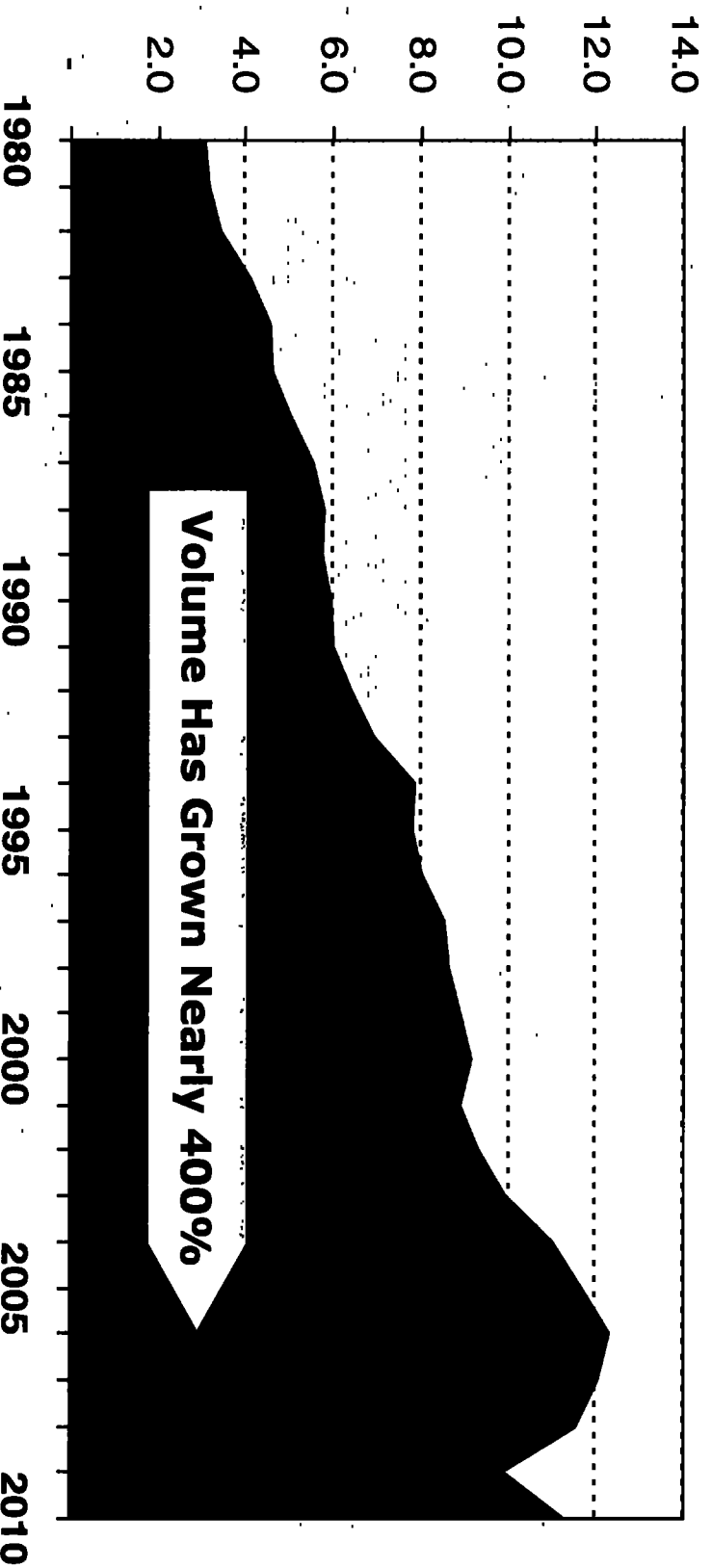
- Shippers accustomed to relying on public rates and traditional service
- Railroad initiatives on rate adjustments and service experiments were delayed by internal regulatory review processes, and threat of being challenged
- Result: disincentive for shippers and railroads to try anything new

■ Post-Staggers Cultural Change:

- Railroads shifted to a market-based environment
- Normal market incentives drove new sense of energy and creativity
- Result: improved service, increased efficiencies, and unprecedented reinvestment

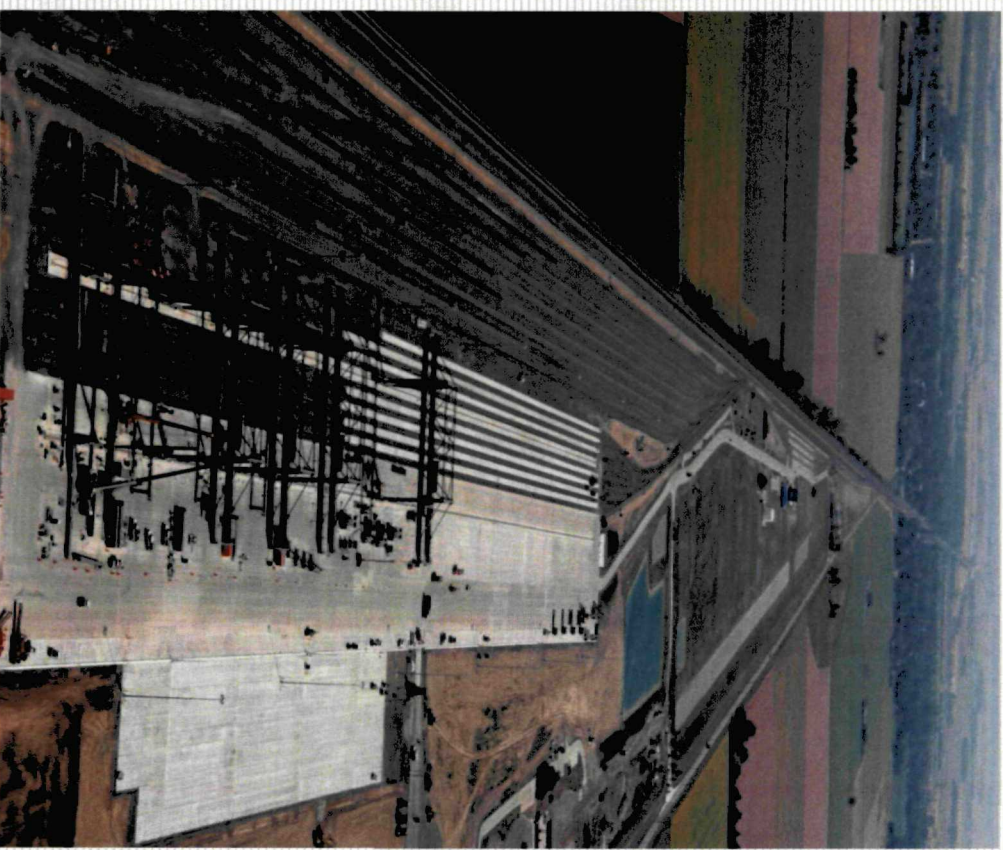
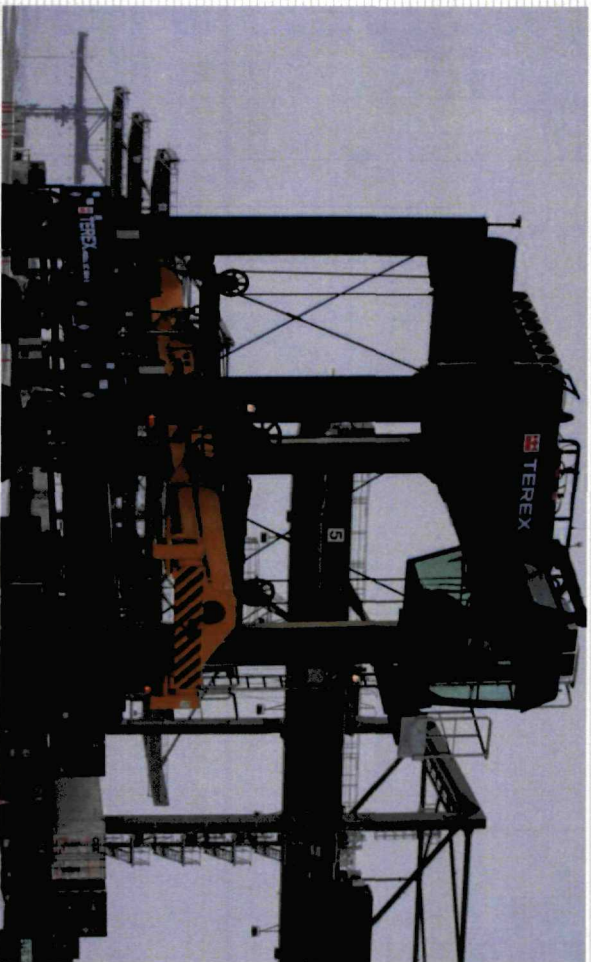
Intermodal Success Story

Intermodal Loadings Growth (millions of units)



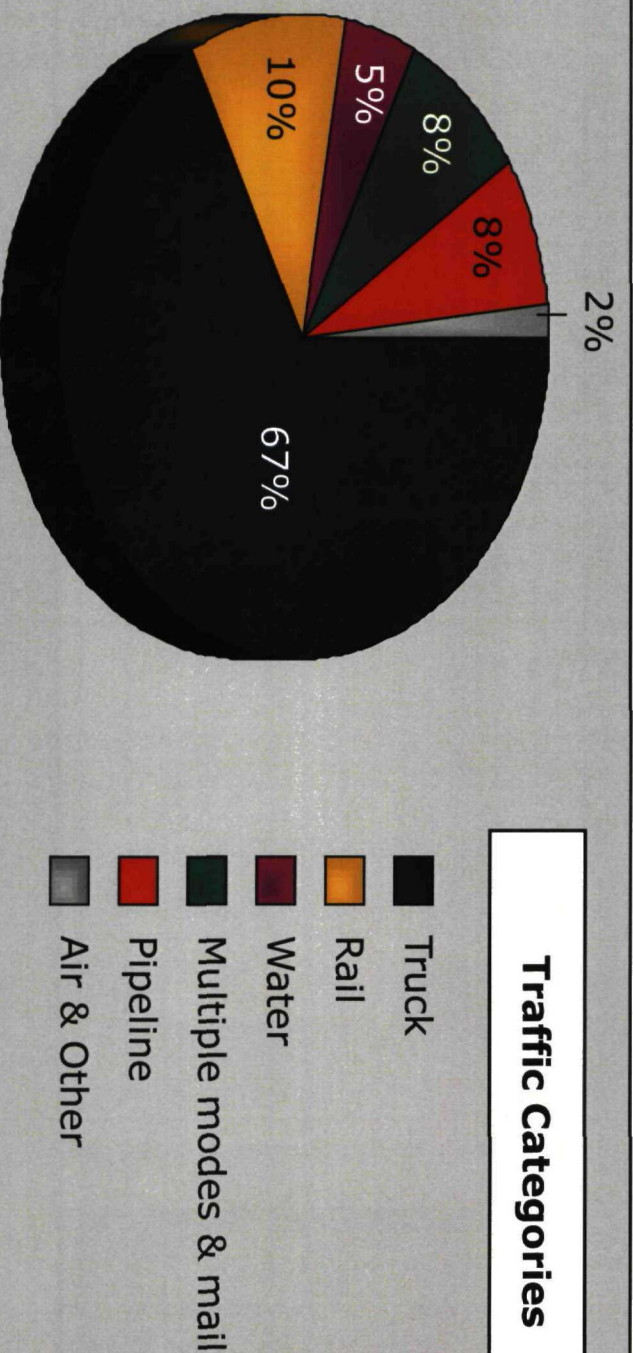
Source: AAR Weekly Railroad Traffic, AAR Fact Book

Northwest Ohio Intermodal Terminal



Competition Is Pervasive

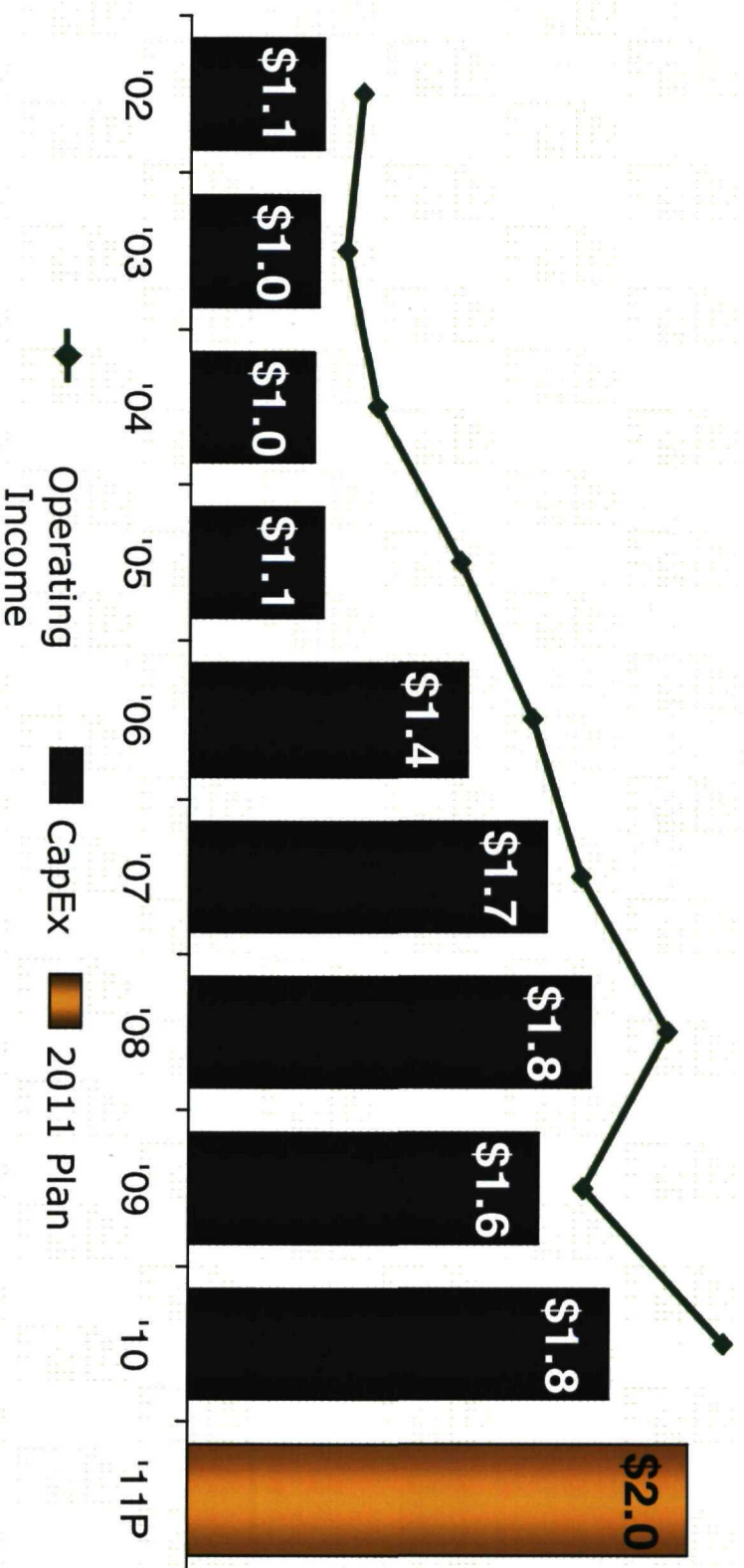
Shipments by Transportation Mode 2009 (millions of tons)



Source: U.S. Department of Transportation, Federal Highway Administration, Office of Freight Management and Operations

Financial Progress Allows for Reinvestment

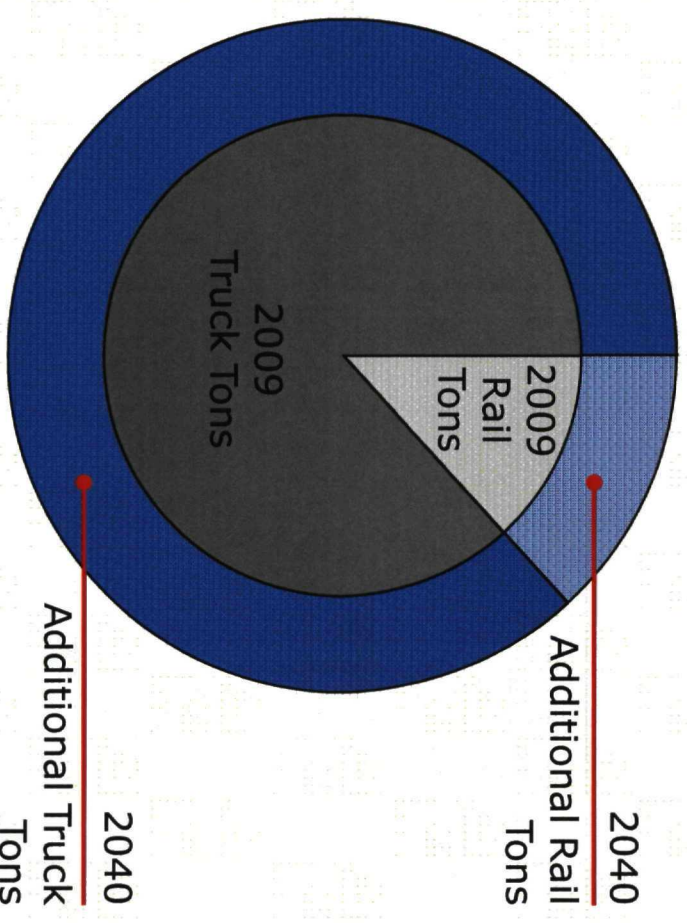
CSX Operating Income and Capital Expenditures (Dollars in Billions)



The Need for Reinvestment Has Never Been Greater

- Freight demand projected to increase 68% by 2040
 - 16.1B → 27.1B Tons
- At current market share, Rail is expected to handle 1.3B increase in tons by 2040
- Due to Rail's efficiency and environmentally friendly nature, America expects rail to increase market share

Freight Demand: 2009 and 2040



Source: U.S. Department of Transportation, Freight Analysis Framework 2010