



223234

Law Department
500 Water Street, J150
Jacksonville, FL 32202
TEL 904-359-1192
FAX 904-359-7518
Paul_Hitchcock@CSX.com

PAUL R. HITCHCOCK
ASSOCIATE GENERAL COUNSEL
BUSINESS & GOVERNANCE

Admitted in OH - Not Admitted in FL
FL Authorized House Counsel

July 17, 2008

Via Facsimile 202-245-0450

Ex Parte No. 677

Scott Zimmerman, Esquire
Attorney Advisor
Surface Transportation Board
395 E Street, SW - Suite 1220
Washington, D.C. 20024

Dear Scott.

In looking over my notes from the Board's Common Carrier hearing, I was reminded that Chairman Nottingham had expressed an interest in how railroads discuss risk from hazardous materials in their SEC disclosures. There were several CSX representatives at the hearing, and it may well be that someone has already forwarded that information, but, just in case, I thought that I would send you this excerpt from CSX Corporation's 2007 10-K.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Paul R. Hitchcock". The signature is written in a cursive, flowing style.

Paul R. Hitchcock

PRH/pkw

Enclosure

CSX CORPORATION

PART I

Item 1A. Risk Factors

The following risk factors could have a materially adverse effect on the Company's results of operations, financial condition and liquidity, and could cause those results to differ materially from those expressed or implied in the Company's forward-looking statements. Although the risks described below are those that management believes are the most significant, these are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently does not deem to be material also may materially impact the Company's financial position, results of operations and liquidity.

New legislation or regulatory changes could impact the Company's earnings or regulate its ability to independently negotiate prices.

The Company is subject to the jurisdiction of various regulatory agencies, including the STB, the FRA and other state and federal regulatory agencies for a variety of economic, health, safety, labor, environmental, tax, legal and other matters. Legislation passed by Congress or regulations issued by these agencies can significantly affect the revenues, costs and profitability of the Company's business. For example, regulations imposing price constraints or affecting rail-to-rail competition could adversely affect the Company's profitability. Also, additional regulations related to environmental matters such as greenhouse gas emissions or legislative changes impacting hours of service requirements could adversely affect the Company's financial position, results of operations and liquidity.

CSXT, as a common carrier by rail, is required by law to transport hazardous materials, which could expose the Company to significant costs and claims.

Under federal regulations, CSXT is required to transport hazardous materials under its common carrier obligation. A train accident involving the transport of hazardous materials could result in significant claims arising from personal injury, property damage, and environmental penalties and remediation. CSXT is also required to comply with regulations regarding the handling of hazardous materials. Failure to comply with these regulations can subject the Company to significant penalties and could be a factor in litigation arising out of a train accident. Finally, legislation preventing the transport of hazardous materials through certain cities could result in network congestion and increase the length of haul for hazardous substances.

The Company is subject to environmental laws and regulations that may result in significant costs.

The Company's operations are subject to wide-ranging federal, state and local environmental laws and regulations concerning, among other things, emissions into the air, discharges into water, the handling, storage, transportation and disposal of waste and other materials and clean-up of hazardous material or petroleum releases. In certain circumstances, environmental liability can extend to formerly owned or operated properties, leased properties, adjacent properties and properties owned by third parties or Company predecessors, as well as to properties currently owned and used by the Company.

CSX CORPORATION PART I

The Company has been, and may be subject to, allegations or findings to the effect that it has violated, or is strictly liable under, environmental laws or regulations, and such violations can result in the Company's incurring fines, penalties or costs relating to the clean-up of environmental contamination. Although the Company believes it has appropriately recorded current and long-term liabilities for known future environmental costs, it could incur significant costs as a result of any of the foregoing and may be required to incur significant expenses to investigate and remediate known, unknown or future environmental contamination.

General economic, geo-political and compliance risks may affect the Company's operations and financial results.

Changes in general economic conditions that affect demand for rail or intermodal services could adversely affect the Company's financial position, results of operations and liquidity. In addition, abrupt political change or terrorist activity poses a risk of general economic disruption and could require changes in the operations and security arrangements, thus increasing the operating costs. These conditions may lend additional uncertainty to the timing and purchasing decisions by the Company's customers.

Fuel prices and supply are influenced by international political and economic circumstances. Although a fuel recovery program is in place with a considerable number of customers, the Company could be negatively impacted if it were unable to realize fuel surcharges. Additionally, if a fuel supply shortage were to arise, whether due to the Organization of the Petroleum Exporting Countries (OPEC) or other production restrictions, lower refinery outputs, a disruption of oil imports or otherwise, the Company would be negatively impacted.

The FRA regulates several of the Company's core operations including track and mechanical equipment standards, signaling systems, inspection of grade crossing warning devices, locomotive engineer certifications and employee injury reporting, among other areas. The Company's unintentional failure to comply with applicable laws or regulations could erode public confidence in CSX. In addition, a change in these regulations could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Network congestion, caused by unanticipated increases in freight or passenger activity, could have a negative impact on service and operating efficiency.

The Company may experience rail network difficulties related to network capacity, unplanned increases in demand for rail service, increased passenger activities in capacity-constrained areas or regulatory changes impacting when CSXT can transport freight or its service routes that could have a negative effect on the Company's operational fluidity, leading to deterioration of service, asset utilization and overall efficiency. In addition, the Company may face external factors such as severe weather and other natural occurrences, including floods, fires, hurricanes and earthquakes, which may disrupt the Company's operations.

CSX CORPORATION
PART I

Increases in the number and magnitude of property damage and personal injury claims could adversely affect the Company's operating results.

The Company faces inherent business risk from exposure to property damage, occupational injury claims, and personal injury claims resulting from train accidents, worker injury claims under FELA and claims from outside parties resulting from the Company's operations. Although the Company is working diligently to enhance its safety programs and to continue to raise the awareness levels of its employees concerning safety, the Company could experience material property damage, personal injury or occupational claims in the future and it may incur significant costs to defend such claims.

Existing claims may suffer adverse developments not currently reflected in reserve estimates, as the ultimate outcome of existing claims is subject to numerous factors outside of the Company's control. The Company establishes reserves to cover all of these types of claims. However, final amounts determined to be due on any outstanding matters may differ materially from the recorded reserves.

The Company may be subject to various claims and lawsuits that could result in significant expenditures.

The Company is subject to various existing lawsuits and potential unknown litigation. The Company may experience material judgments or incur significant costs to defend any such lawsuits. Additionally, existing litigation may suffer adverse development not currently reflected in the Company's reserve estimates as the ultimate outcome of existing litigation is subject to numerous factors outside of the Company's control. While the Company uses its best efforts to evaluate existing litigation, the final judgments may differ materially from the recorded reserves.

Future acts of terrorism, war or regulatory changes to combat the risk of terrorism may cause significant disruptions in the Company's operations.

Terrorist attacks, such as those that occurred in the United States in September 2001, in Spain in March 2004, in England in July 2005, and in India in July 2006, along with any government response to those attacks, may adversely affect the Company's financial position, results of operations and liquidity. CSXT's rail lines or other key infrastructure may be direct targets or indirect casualties of acts of terror or war. This could cause significant business interruption and result in increased costs and liabilities and decreased revenues. In addition, insurance premiums charged for some or all of the coverage currently maintained by the Company could increase dramatically or the coverage may no longer be available.

Furthermore, in response to the heightened risk of terrorism, federal, state and local governmental bodies are proposing and beginning to adopt various legislation and regulations relating to security issues that impact the transportation industry. For example, the DHS proposed regulations that would require freight railroads to implement additional security protocols when transporting hazardous materials.

CSX CORPORATION PART I

Failure to complete negotiations on collective bargaining agreements could result in strikes and/or work stoppages.

Most of CSXT's employees are represented by labor unions and are covered by collective bargaining agreements. Generally speaking, these agreements are bargained nationally by the National Carriers Committee. In the rail industry, negotiations have generally taken place over a number of years and previously have not resulted in any extended work stoppages. Over the last 30 years, there were only six days of work stoppage related to labor disputes over national handling. If the Company is unable to negotiate acceptable agreements, it could result in strikes by the affected workers, loss of business and increased operating costs as a result of higher wages or benefits paid to union members, any of which could have an adverse effect on the Company's financial position, results of operations and liquidity. Under the Railway Labor Act's procedures (which include mediation, cooling-off periods and the possibility of Presidential intervention), neither party may exercise self-help until the procedures are exhausted.

The Company relies on the stability and availability of its technology systems to operate its business.

The Company relies on information technology in all aspects of its business. A significant disruption or failure of our information technology systems, including computer hardware, software and communications equipment, could result in a service interruption, safety failure, security breach or other operational difficulties. While the Company has taken steps to mitigate these risks, the performance and reliability of its technology systems are critical to its ability to compete effectively.

The Company faces competition from rail carriers and other transportation providers.

The Company experiences competition in the form of pricing, service, reliability and other factors from other transportation providers including railroads and motor carriers that operate similar routes across its service area and, to a less significant extent, barges, ships and pipelines. Transportation providers such as motor carriers and barges utilize public rights-of-way that are built and maintained by governmental entities while CSXT and other railroads must build and maintain rail networks using largely internal resources. Any future improvements or expenditures materially increasing the quality or reducing the cost of alternative modes of transportation, or legislation providing for less stringent size or weight restrictions on trucks, could negatively impact the Company's financial position, results of operations and liquidity.