

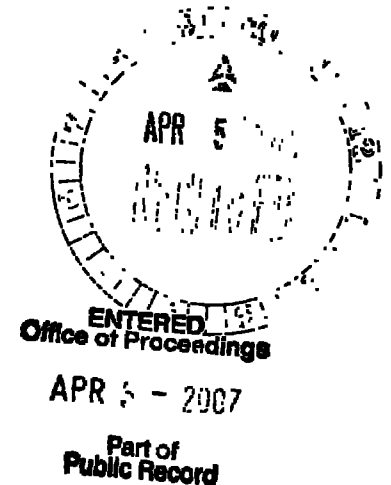


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Michael J. Ward
Chairman, President
Chief Executive Officer

April 4, 2007

Chairman Charles D. Nottingham
Vice Chairman W. Douglas Buttrey
Commissioner Francis P. Mulvey
Surface Transportation Board
395 E Street, SW
Washington, DC 20423



Re: Ex Parte No. 671, Rail Capacity and Infrastructure Requirements

Gentlemen:

I applaud your efforts to highlight critical rail capacity and infrastructure requirements, and thank you for the opportunity to speak at the Board's April 11 hearing.

America has entered a Rail Renaissance. Global economic and demographic trends are driving rapidly escalating demand for transportation by all modes. While the government is supporting ever-increasing needs in our federal highway system, private capital investment is supporting much of the growing demand for rail transportation capacity. CSXT is investing heavily in our 21,000 mile network, but private capital investment alone cannot create enough rail capacity to move trucks off our highways and meet the burgeoning future demand for freight transportation.

Where public and private needs converge, CSXT is already finding creative opportunities for partnerships with state and local governments. In Central Florida, CSXT is expanding rail capacity for freight and passengers, using federal, state and private funds. Proposals for an infrastructure tax credit would enable federal authorities to leverage public support with private capital to spur further capacity expansion.

It is not coincidental that CSXT's record-setting infrastructure investments in 2006 and 2007 come at a time when we are just beginning to approach revenue adequacy. Unlike highways and waterways, private investment builds and maintains America's railroad network. That investment, of course, requires strong earnings. Earnings must remain strong, both to make the necessary money available and to justify reinvestment in the railroad business. Railroads will need to achieve – and sustain – revenue adequacy if they are to make the kind of investments necessary over the next two decades. Ill-considered calls to re-regulate the rail industry – by whatever name – are the greatest threat to the railroad industry's ability to reach sustained revenue adequacy and to continue reinvestment in our network.

Chairman Charles D. Nottingham

April 4, 2007

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We strongly believe that investment in railroad capacity is smart public policy. Over long distances, rail saves money. Rail is more fuel-efficient and more environmentally friendly. Rail is safer and offers relief to our overburdened interstate highway system, without the huge public expense of building more lanes.

Capacity and the need to expand our nation's rail infrastructure are among the most important issues facing our industry today. I am enclosing a set of presentation slides which I believe will add to the Board's consideration of this subject. I look forward to discussing these issues with you on April 11.

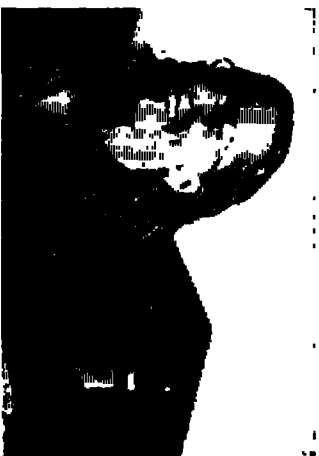
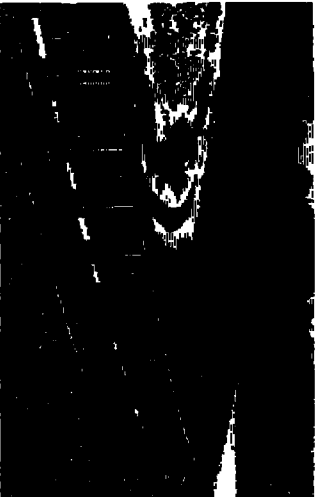
Yours truly,

A handwritten signature in black ink, appearing to read "Michael Ward". The signature is written in a cursive, flowing style.

cc: Secretary Vernon A. Williams

Surface Transportation Board

Ex Parte No. 671, Rail Capacity and Infrastructure Requirements
April 4, 2007



Michael J. Ward

CSX Corporation Chairman, President and CEO



CSX Today

- Employs 32,000 people operating 22,000 miles of road in 23 states and D.C.
- 2006 performance highlights:
 - Safety - Reduced train accidents by 24% and employee injuries by 21%
 - Service - Improved on-time arrivals by 56%
 - Productivity - Recorded sub-80 operating ratio for the first time in a decade

delivering:

CSX

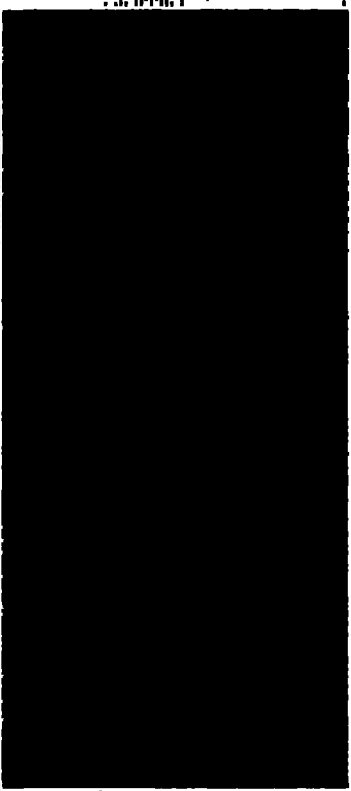
1. The first step in the process of the development of a new product is the identification of a market need. This is often done through market research, which can be conducted in a variety of ways, including surveys, focus groups, and interviews. The goal is to understand what customers want and what problems they are trying to solve.

2. Once a market need has been identified, the next step is to develop a concept for a new product that addresses that need. This involves brainstorming ideas and creating a rough sketch of the product. It is important to consider the feasibility of the idea and whether it can be produced at a reasonable cost.

3. The third step is to create a prototype of the product. This can be done using a variety of methods, including 3D printing, CNC machining, and hand fabrication. The prototype is used to test the product and make any necessary adjustments before moving forward with production.

4. The fourth step is to conduct a pilot production run. This involves producing a small number of units of the product to test in the market. This allows the company to gather feedback from customers and make any necessary adjustments to the product or the production process.

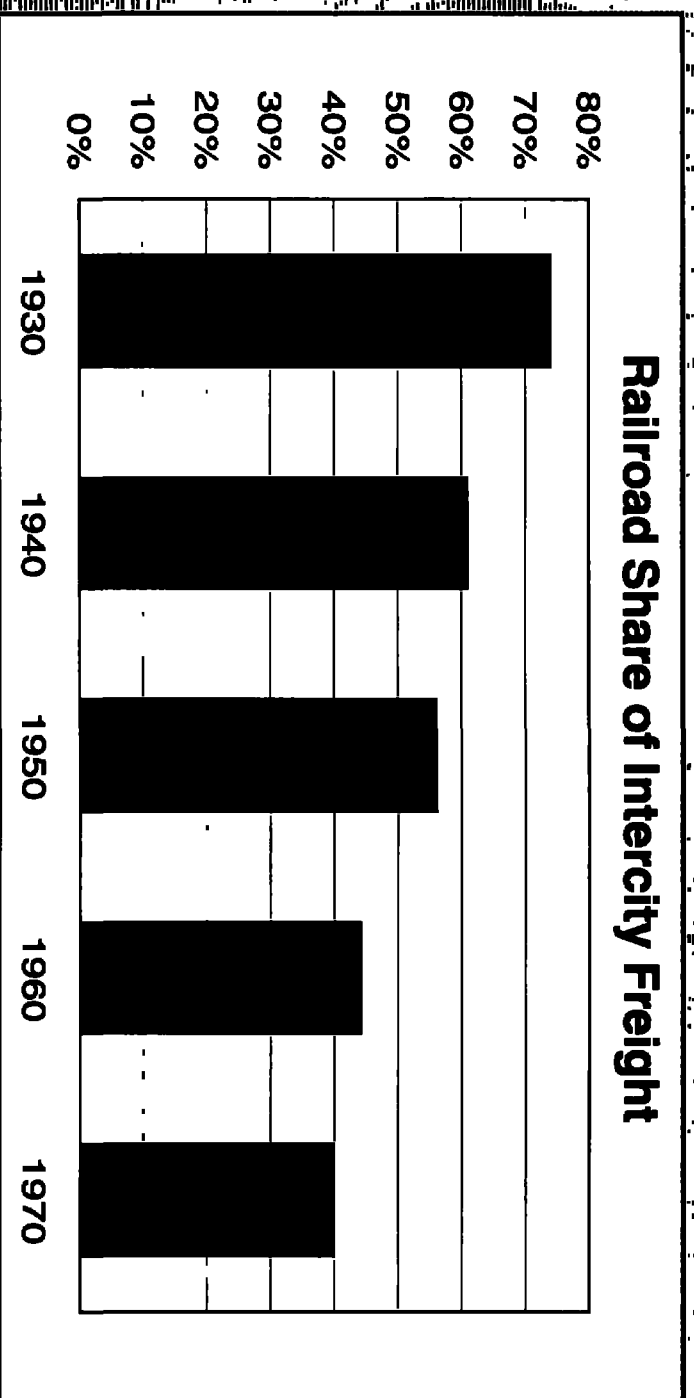
5. The final step is to launch the product into the market. This involves creating a marketing plan and promoting the product through various channels, including social media, email marketing, and direct sales. The goal is to reach as many potential customers as possible and generate sales.



U.S. Railroads in the 1970s

- 21% of rail miles operated in bankruptcy
- Share of intercity freight off 40% from peak
- 2% return on investment

Railroad Share of Intercity Freight



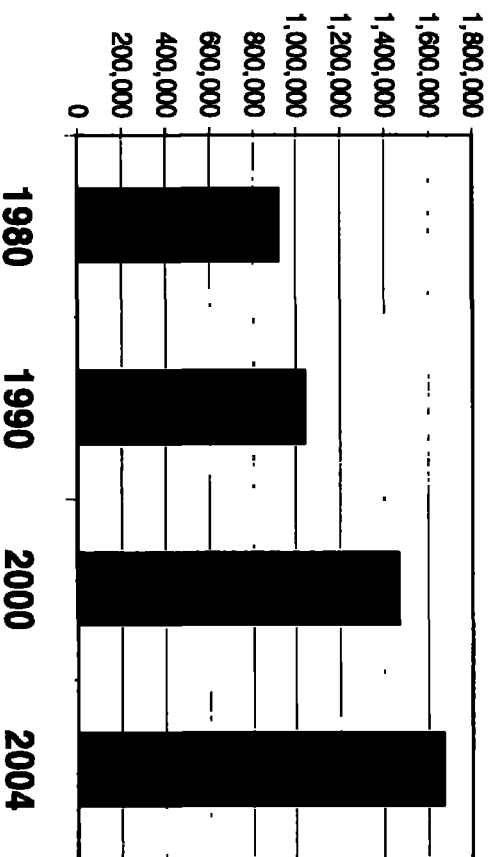
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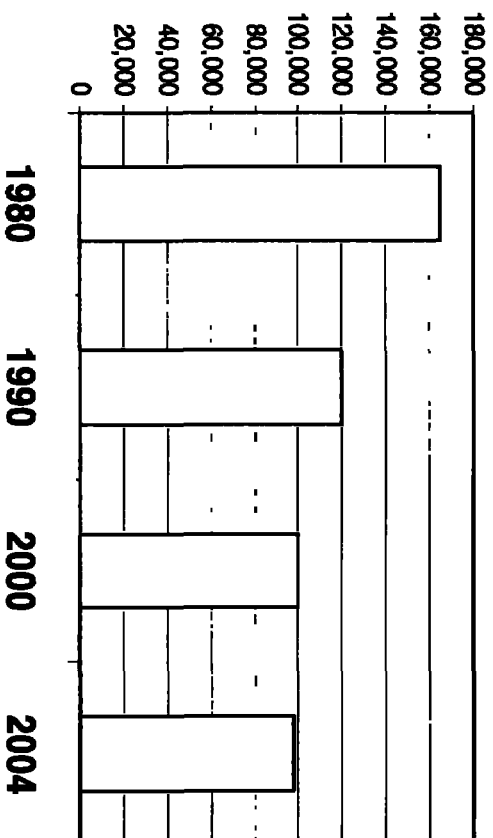
Staggers Drives Industry Improvements

- Pro-competitive railroad consolidations
- Birth of locally owned short line railroads
- More market responsive and flexible
- Increasing traffic density and asset utilization

**Class I Revenue Ton Miles
(millions)**



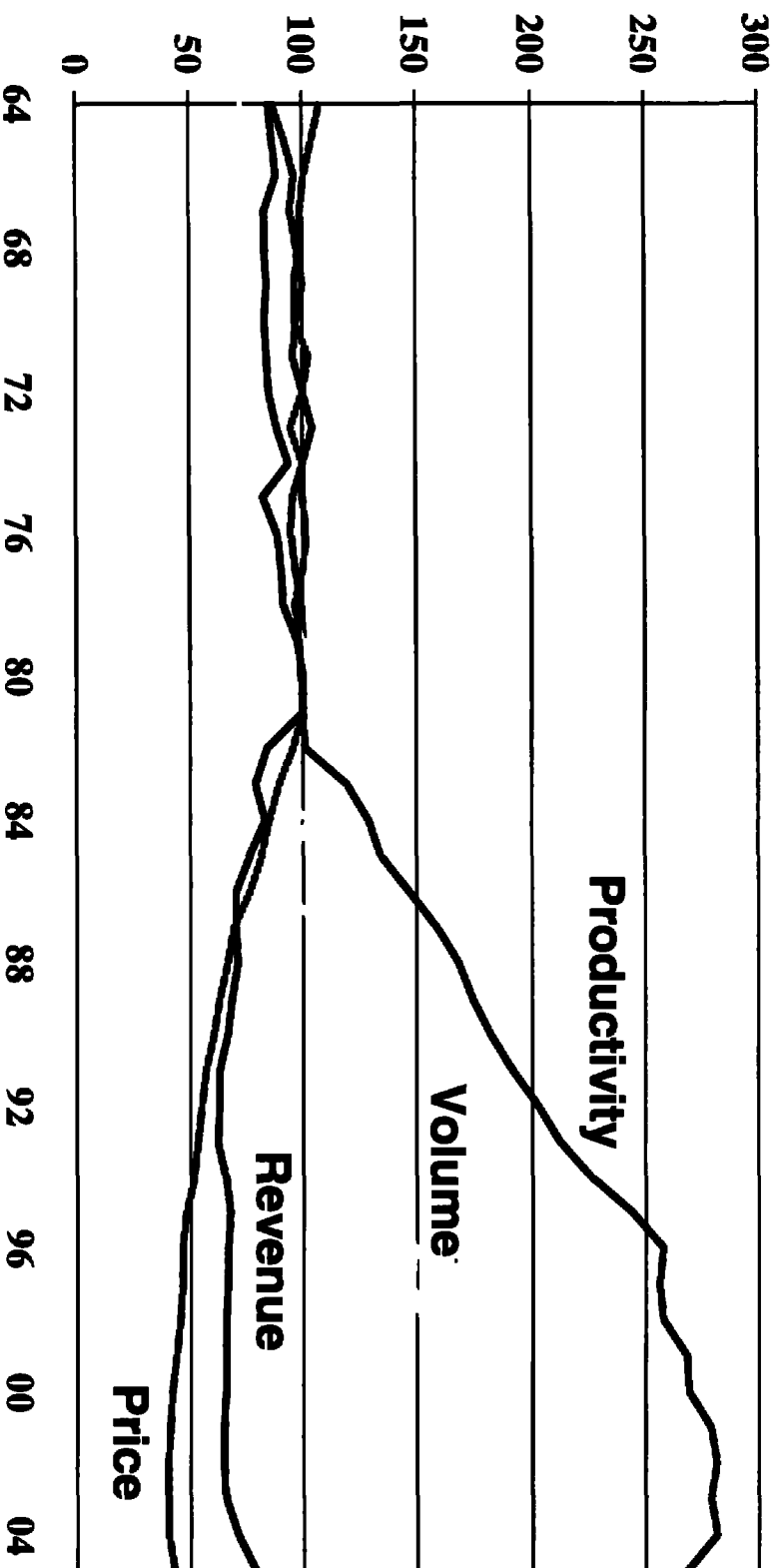
Class I Miles of Road



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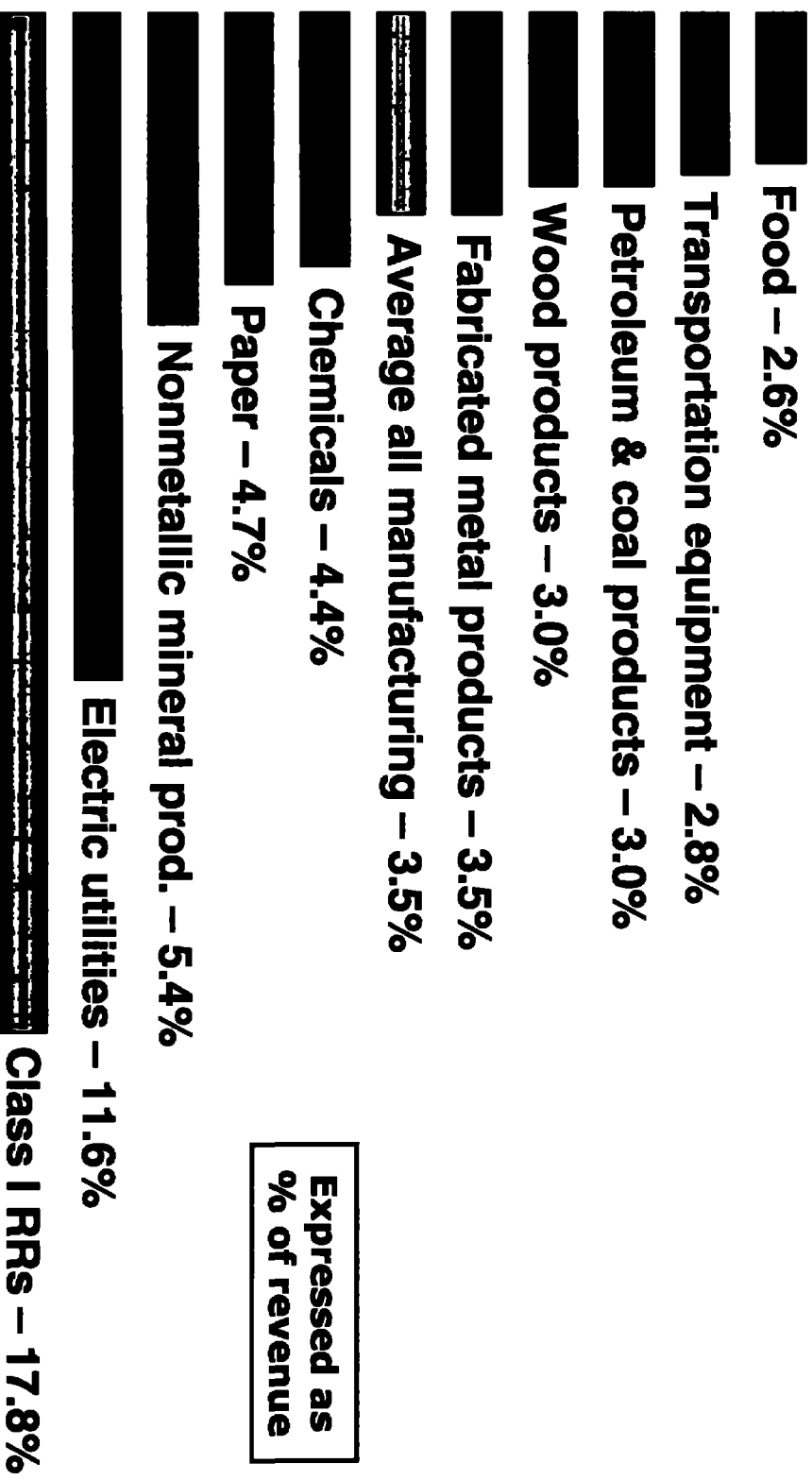
Railroad Performance Gains



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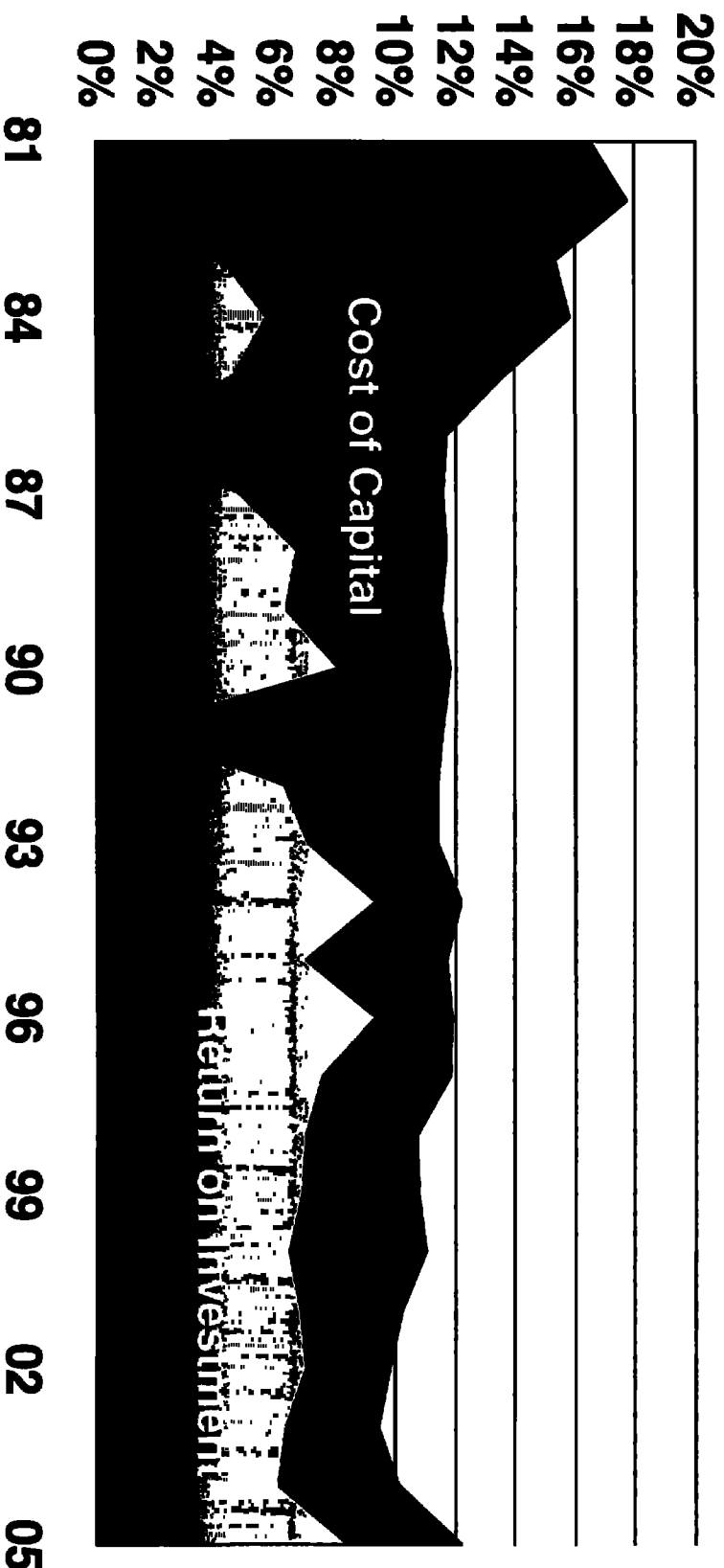
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Railroad CapEX vs. Other Industries



Class I Railroad ROI v. COC

1981-2005



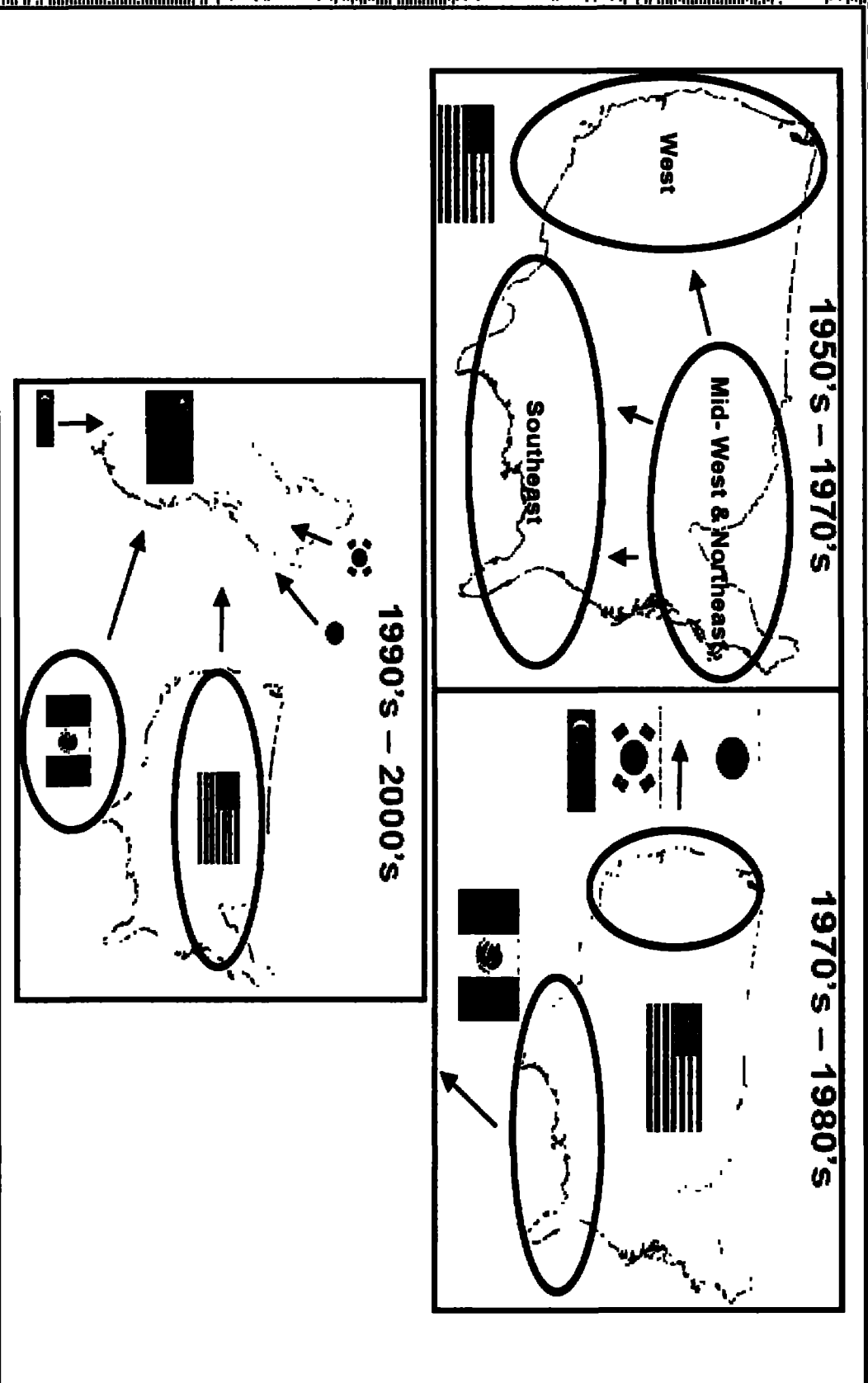
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Capacity and Demand

- Legacy rail system built for Northeast manufacturing and population base
- Increasing imports and population shifts drive rail growth along different corridors
- Highway congestion and trucking challenges heighten need for rail
- Capacity constraints require new infrastructure investment to keep pace
- AASHTO report highlights need for increased rail capacity

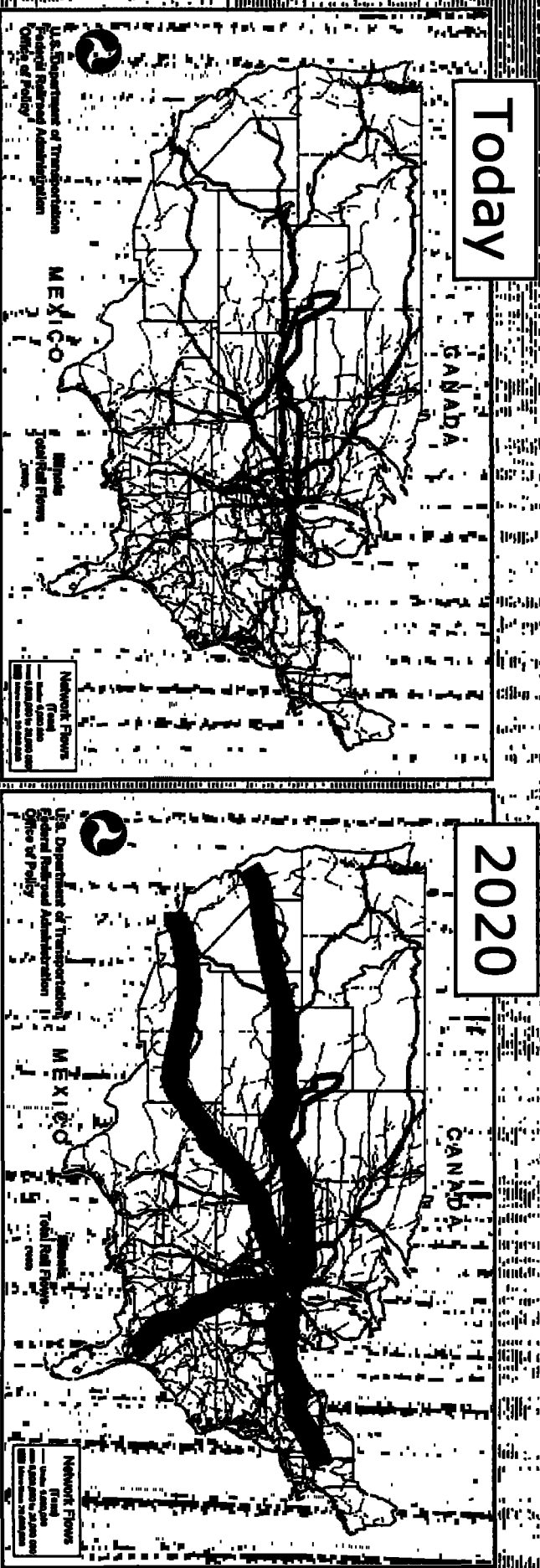
Manufacturing on the Move



[illegible]

11

Port Growth Drives Rail Growth



Source: TransSystems and USDOT Federal Railroad Administration Office of Policy

Highway Congestion Worsens



What is CSX Doing?

- Improving safety
- Serving growing and emerging markets
- Building new capacity
- Investing in fuel efficiency and air quality
- Partnering with ports and commuter rail

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Investing in Safety

In the past two years CSX:

- Spent more than \$970 million on cross-tie and rail maintenance
- Installed more than 5 million new cross-ties
- Hired and trained 800 new maintenance-of-way employees, increasing maintenance forces by more than 250
- Reduced train accidents by 30%



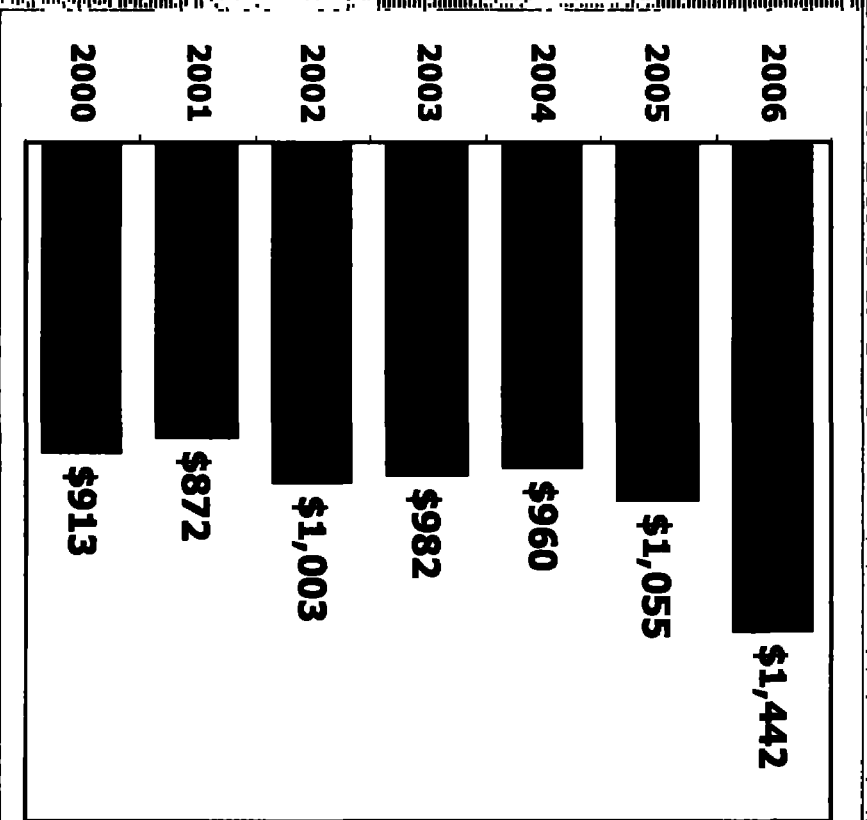
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CSX Capital Investment

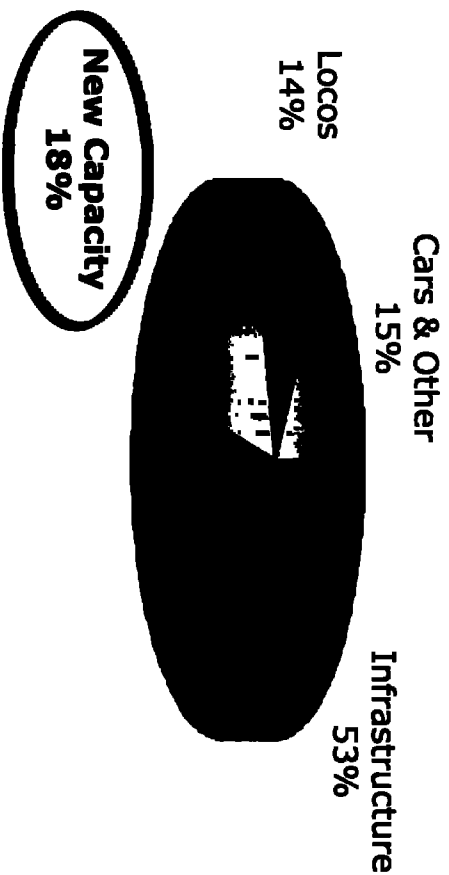


\$7.2 Billion Since 2000



Building New Capacity

2006 Capital Spending



Investing in the Environment



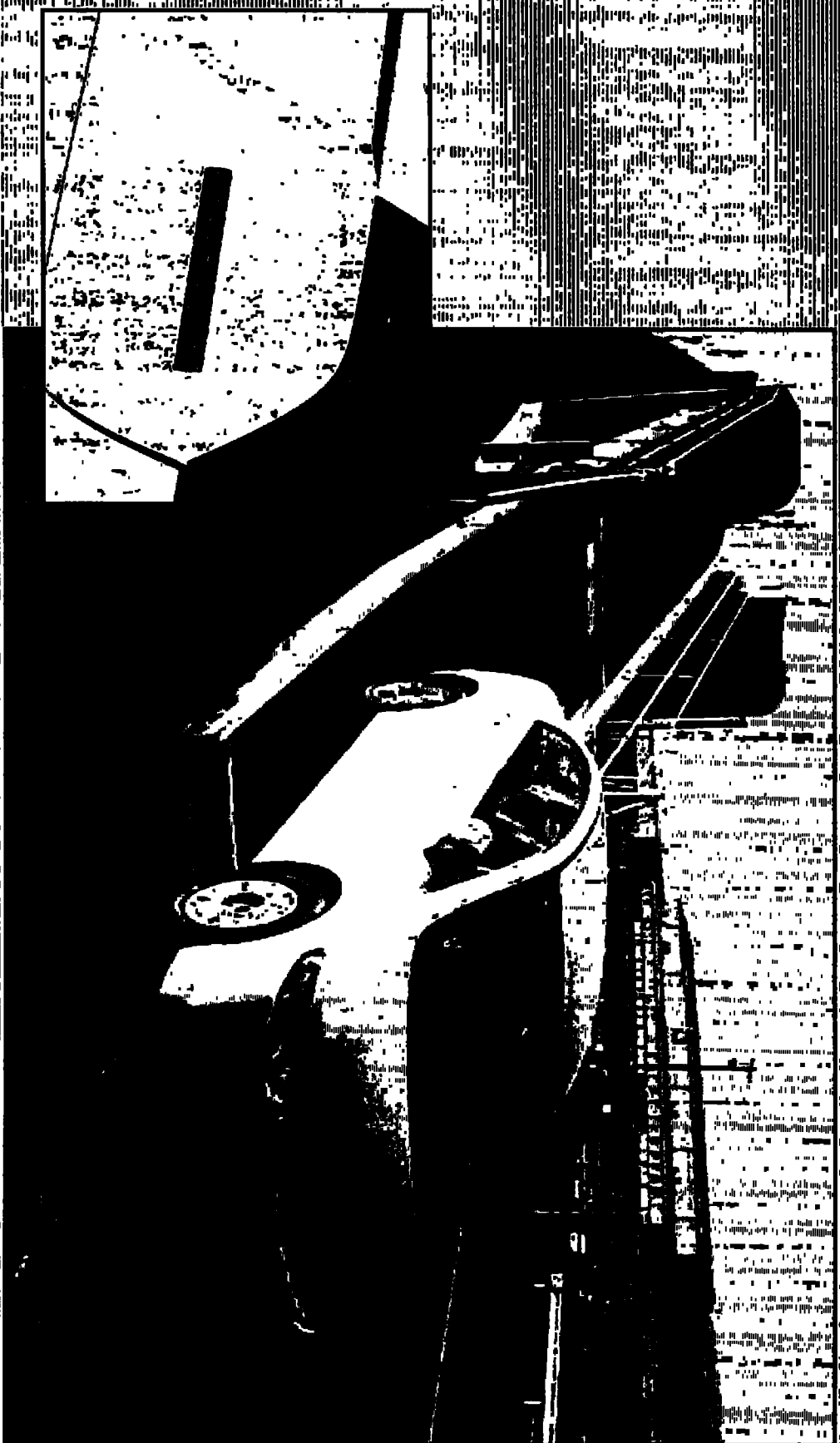
EPA Administrator Stephen Johnson and
CSXT COO Tony Ingram announce new
EPA locomotive emissions rules

- Investing in new fuel efficient, low emission locomotives
- Joining with EPA on SmartWay and Climate Leaders programs
- Pursuing innovative fuel conservation initiatives

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Delivering New Products to Market



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Maintaining Electric Reliability

- Population and electricity demand shifting to the Southeast
- Many new power plants sited or considered on CSX territory
- Electric reliability depends on sufficient rail capacity in coal distribution chain



Working with Passenger Rail



- CSX is responding to calls for expanded passenger rail in the cities we serve
- Meeting the public demand for passenger rail requires expanded capacity
- I-95 "Corridor of the Future" requires integrated freight and passenger expansion strategy

Policy Case for U.S. Rail Investment

- Economic and demographic trends are demanding a Rail Renaissance
- Private capital investment is supporting critical rail infrastructure
- Public-private partnerships are needed to create rail capacity for passengers and freight
- Railroad re-regulation threatens sustained American economic growth
- Infrastructure tax credit will drive investment
- Railroad capacity investment is good public policy
- Safer
- More environmentally friendly
- More cost effective

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