

How tomorrow moves



Los Angeles Transportation Club

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September 15, 2009

Intermodal Industry Overview

- Economic Outlook
- Industry Trends
- Regulatory Issues
- Capital Investments

Economic Outlook



**GLOBAL
INSIGHT**

Dr. Nariman Behravesh – 9/10/09

- The worst recession in six decades is over
- The US, China & India are likely to recover first
- Job shrinkage will get smaller and turn positive next Spring
- Pent-up demand will drive consumption when confidence returns
- 2010 will have growth, but not early in the year

WOLFE
RESEARCH

Ed Wolfe – 9/8/09

- Freight improvement across virtually all modes of transportation
- Signs point to positive GDP in 3Q

Transportation markets in near-term distress

International Ocean Carriers

- *US cargo imports by retailers remain down, but they should shift from double-digit to single-digit declines by year end.* (NRF VP for Supply Chain Jonathan Gold)
- *NITL supports the Federal Maritime Commission's proposal to repeal the 45-day waiting period applicable to certain marine terminal operator agreements.* (NITL 9/8/09)

Domestic

- *Looking at the data, we can certainly say rail traffic seems to be heading in the right direction – but we still have a long way to go.* (AAR Sr. VP John Gray)
- *Truckload freight rates have stopped declining, but pricing remains at unsustainably low levels.* (Baird 8/14/09)
- *July class 8 truck sales decline 32.9%. Dealer says 'Bouncing along the bottom'.* (Transport Topics)
- *Creditors are the biggest to blame in helping otherwise insolvent trucking companies stay in business.* (Avondale Partners 8/17/09)

Regulatory issues impacting intermodal transportation

- Positive Train Control (PTC)
- Intermodal Equipment Roadability
- California Air Resources Board (CARB)
- Comprehensive Safety Analysis 2010 (CSA2010)

PTC: safety mechanism to prevent rail accidents

- Overrides engineer control of train when necessary
 - Accident avoidance
 - Policy enforcement
- Rail Safety Improvement Act 2008
 - Protect passengers and Hazardous freight
 - Required PTC implementation 2015
- Collaborative railroad effort
 - UP, BNSF, NS & CSX
 - FRA estimate \$13.9 Billion*
 - Field testing 2010



*FRA estimate over next two decades

Roadability: intermodal equipment safety

■ Intermodal equipment inspection

- Promote highway safety
- Enforce equipment inspection procedures

■ FMSCA regulation

- Safe, Accountable, Flexible, Efficient Transportation Equity Act
- Systematic equipment inspection, repair and maintenance
- Phased implementation: December 17, 2009 / 2010

■ Collaborative effort

- Equipment provider, RR, IANA & Motor Carrier
- Leverage electronic data exchange
- Gain process efficiency and highway safety



California Air Resources Board (CARB)

- California clean-air regulation
 - Impacts intermodal drayage trucks & motor carriers
 - Register truck with Drayage Truck Registry by 9/30/09
 - Trucks must meet and maintain emissions standards
 - Driver documentation available for enforcement personnel
-
- Emission requirements 12/31/09 (based on engine model year)
 - a. 1993 and older: **prohibited**
 - b. 1994-2003: **reduce Particulate Matter emissions by 85%**
 - c. 2004: **no impact until 2012**
 - d. 2005-2006: **no impact until 2013**
 - e. 2007 and newer: **fully compliant**
 - Emission requirements will increase until 2007 standards are achieved



Comprehensive Safety Analysis 2010

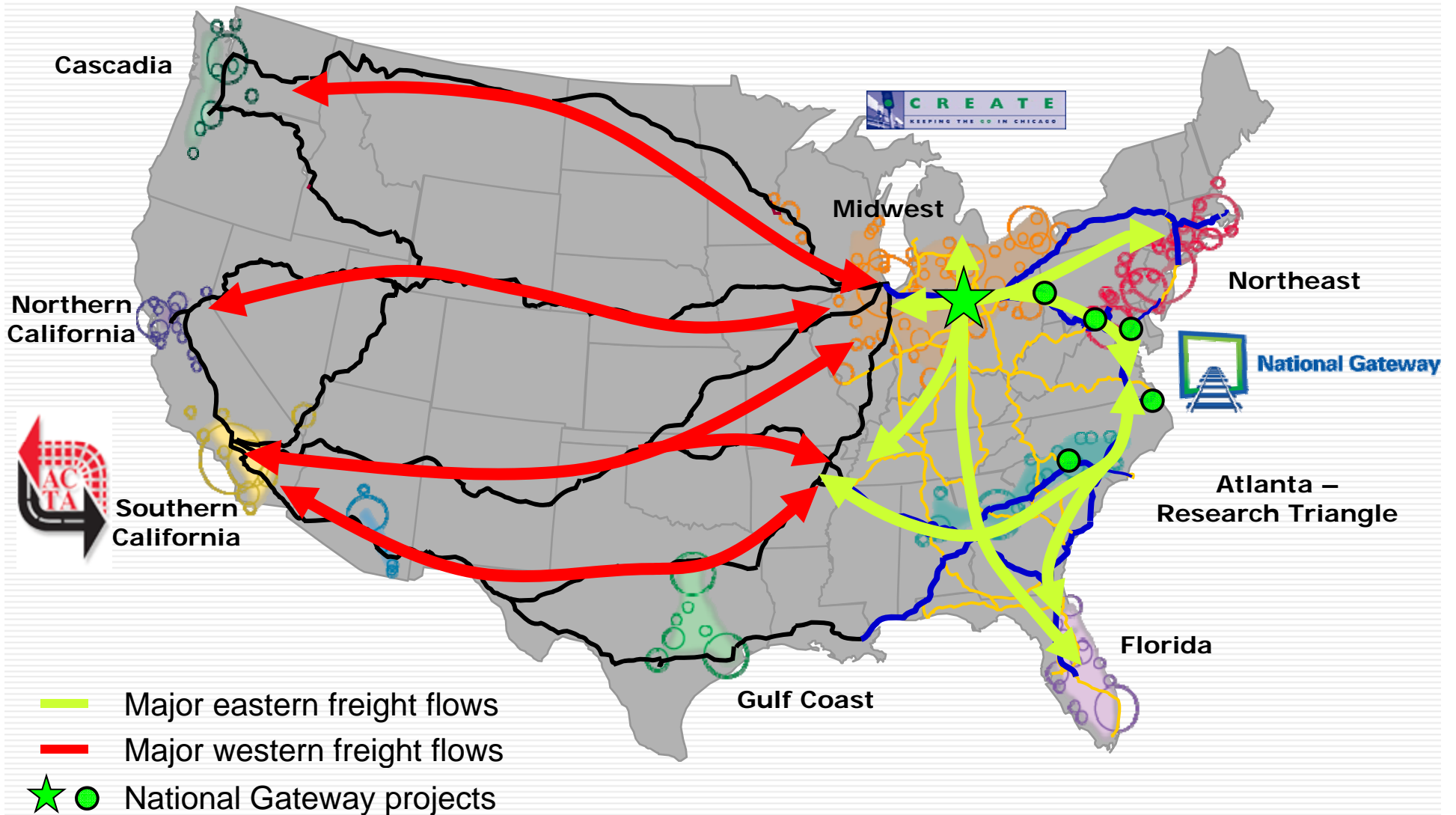


- FMCSA compliance improvement initiative
 - Reduce commercial motor vehicle accidents
 - Increase driver / carrier interaction
 - Improve carrier & driver risk data availability
- CSA2010 is effective July 2010
 - Replace SafeStat with SMS (Safety Measurement System)
 - SMS will identify high risk carriers
 - Intervention with high risk carriers
- Possible industry impacts
 - Poor driver safety record will impact carrier score
 - Driver terminations based on safety record

All Railroads are investing

- Impressive history of post Staggers Act investments
 - Since 1980 railroads have invested over \$300B
- Amazing results
 - Quadrupled intermodal traffic
 - Rates sharply declined / earnings sharply improved
 - Accidents are down by two-thirds.
 - Rail service can meet just-in-time demands.
 - US railroads move more freight at lower rates than all of Europe's railroads combined.
- Railroads can and have done a lot
 - but to meet future needs there is a shortfall
 - Public Private Partnerships (PPP) have proven successful

Railroads and the US must continue to invest



National Gateway is CSX's largest PPP



- \$800M project funded by CSXI, state and federal grants
- Double-stack clear network from Chicago to the Mid Atlantic destinations
- Synergies with Panama Canal expansion
- New and expanded intermodal terminals in NW Ohio, Pittsburgh, Chambersburg and Baltimore
- NW Ohio will improve network speed, fluidity and geographic reach

The National Gateway project
will create a world-class
Intermodal network

NW Ohio intermodal hub

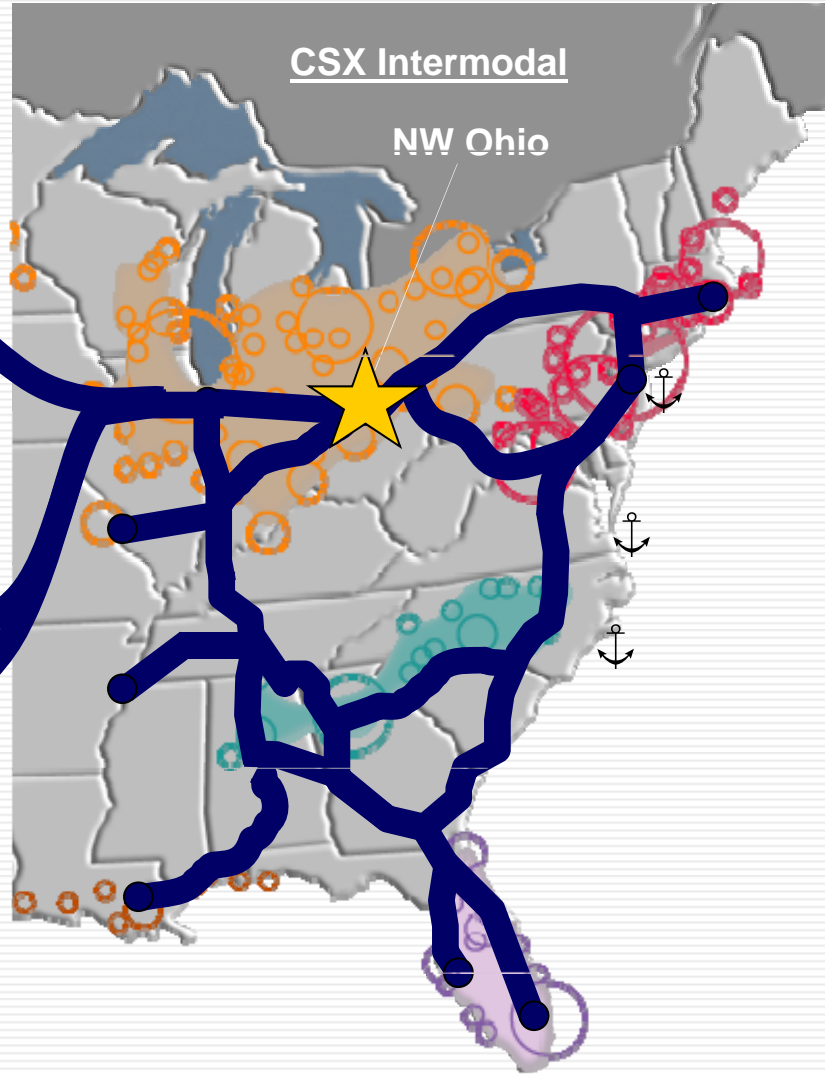
BNSF



Union Pacific

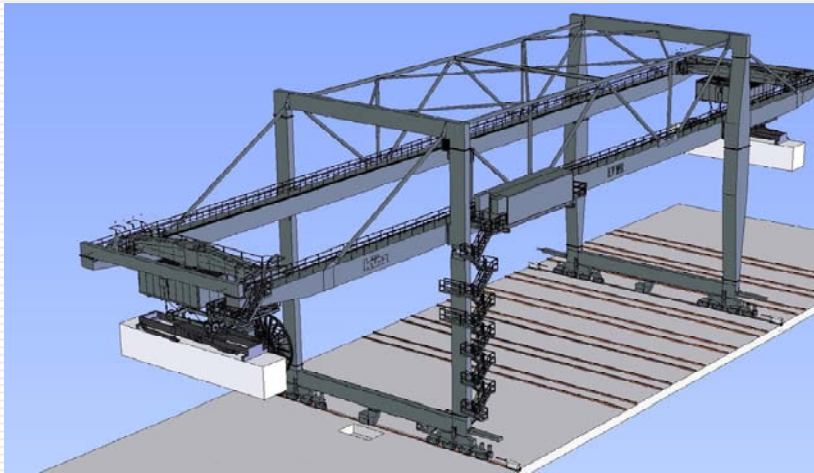


CSX Intermodal



Building a terminal of the future

Northwest Ohio – Widespan Crane Operation



5 widespan cranes
8 working tracks
Two straddle lanes
One truck lane
5 container stacks (4 high)
18 block swap tracks

■ Environment

- Reduce carbon emissions
- Almost silent operations

■ Network

- Increase terminal throughput
- Connect more markets
- Reduce transit times

■ Operations

- Semi automatic operations
- Improves facility safety
- Reduce equipment maintenance
- Reduce fuel & labor expense

*Evansville Western Railway, an affiliate of CSX,
is the developer-operator of this NW Ohio facility*

Northwest Ohio Update

- Construction started first week of May
- Groundbreaking ceremony with Ohio Governor Strickland
- 60% of earthwork is completed
- 10,000 feet of track assembled
- Rail deliveries for terminal construction September 1st



Investing in Freight Security

PILOT STUDY

Asset Monitoring:

New way of thinking about intermodal security

- Real time location tracking and alerts via satellite and cellular communications
- Suite of sensors, including door breach, temperature, pressure and light
- Emerging technology, protect load integrity, increase cargo visibility, improve customer relations, reduce claims



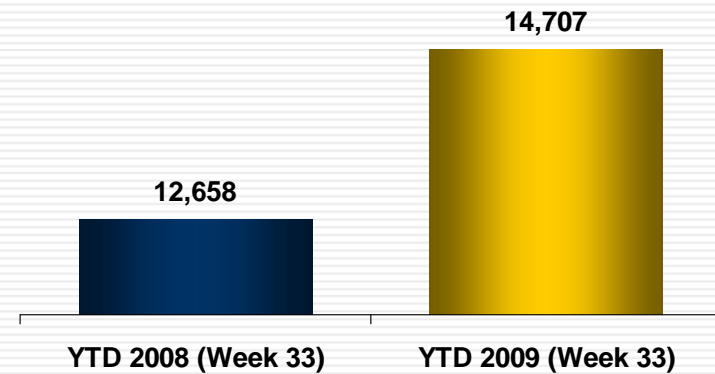
Boston, MA

Continued expansion of CSXU fleet



- Enables IMC and broker growth
- UMAX - optimize fleet and equipment repositioning
- Expand fleet to 17K in 2009

Average Fleet Size



New Container Delivery Schedule

August	466
September	994
4 th Quarter	1,740
Total	3,200

