CSXT Network Strategy

Florida Transportation Commission

December 5, 2006

Larry Ratcliffe
Director – Network Planning
CSXT’s Strategic Direction

**Short Term**
- Competitive Advantages
  - Physical Network

**Long Term**
- Reliable Service
CSXT’s Network Relative to National Network
Our Network Strategy is to Restructure CSXT’s Network to Support Value Creation at CSX

**Process:**

1. **Identify macroeconomic changes and long term network implications**

2. Identify the long term Strategic Network

3. Drive appropriate alignment of resources on the network

4. Transform the non-strategic network

**Value Creation:**

- Supports growth
- Supports service reliability and safety
- Facilitates productivity improvement and expense reduction
- Supports capital management

Value Creation:

- Supports growth
- Supports service reliability and safety
- Facilitates productivity improvement and expense reduction
- Supports capital management
Macroeconomic Impacts

- **Globalization** – The shifting focus of the U.S. economy from manufacturing to consumption

- **Increased concentration** – Fewer and larger customers locating near areas of high consumption

- **Shifting coal sourcing** – The increasing shift to PRB and potentially Illinois Basin coal
While the northern tier of the CSX network is large and rich, the growth is in the South...
Key Macro Trend implications

- Long distance supply chains growing
- Increasing consumption in major markets
- Highest growth trends are in the South
- Favorable intermodal environment
- Public policy starting to acknowledge rail benefits
- Rail is in a strengthening competitive position
Our Network Strategy is to Restructure CSXT’s Network to Support Value Creation at CSX

Process:

1. Identify macroeconomic changes and long term network implications
2. Identify the long term Strategic Network
3. Drive appropriate alignment of resources on the network
4. Transform the non-strategic network

Value Creation:

- Supports growth
- Supports service reliability and safety
- Facilitates productivity improvement and expense reduction
- Supports capital management
Our Network Strategy is to Restructure CSXT’s Network to Support Value Creation at CSX

**Process:**

1. Identify macroeconomic changes and long term network implications
2. Identify the long term Strategic Network
3. Drive appropriate alignment of resources on the network
4. Transform the non-strategic network

**Value Creation:**

- Supports growth
- Supports service reliability and safety
- Facilitates productivity improvement and expense reduction
- Supports capital management
CSX’s physical network is its key competitive advantage
Consensus on this strategy allows us to align, focus and prioritize:

- Provides the opportunity for robust and more focused:
  - Industrial development
  - Product development
  - Capacity expansion
  - Infrastructure investment
  - Public/Private funding
CSX’s physical network is its key competitive advantage
Capacity improvements are being progressed to handle current and projected traffic volumes.
Where are we with this work?

2006 Completions

Capacity Projects
Southeast Corridor
Our Network Strategy is to Restructure CSXT’s Network to Support Value Creation at CSX

**Process:**

1. Identify macroeconomic changes and long term network implications
2. Identify the long term Strategic Network
3. Drive appropriate alignment of resources on the network
4. Transform the non-strategic network

**Value Creation:**

- Supports growth
- Supports service reliability and safety
- Facilitates productivity improvement and expense reduction
- Supports capital management
Transform the Non-Strategic Network

• Completed 3-year Network Rationalization plan of approximately 2,500 miles

• Continue to perform detailed cost and economic analysis on Non-Strategic Lines

• Make decisions whether to actively market a line
Summary

• The Network is CSXT’s key strategic advantage

• Florida is a key part of CSXT’s network

• Network decisions and investments are long term decisions

• Network strategy drives capital planning