

CSX Moves to Cut Delays On Tangled Rail Network

By DANIEL MACHALABA

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For much of last year, CSX Corp. was a chief contributor to the freight backups and delays that have bedeviled railroad customers across the country.

But lately CSX seems to have discovered the means to untie its tangled freight network. The changes, part of a makeover of its 23,000-mile railroad, are helping CSX show improvements. Still, the full benefits to its operations may take months to unfold.

CSX's results so far could be welcome news to customers frustrated by railroads. Some railroads were surprised by the surge of traffic as the economy recovered and were caught short of locomotives, equipment and staffing to handle the extra freight. Some manufacturers curtailed production or switched to more expensive truck transportation.

Wal-Mart Stores Inc., fed up with delays, says it is opening more warehouse space at Gulf and East Coast ports to lessen its dependence on the ports of Los Angeles and Long Beach and the rail lines that serve them. Gap Inc. began shifting some shipments to other West Coast ports with less-congested railroads and through the Panama Canal.

In a program called One Plan, CSX is revamping operations to cut the number of times freight cars are handled -- a measure of railroad efficiency -- by 600,000 a year, or 5%, and reduce the miles freight travels by 1% to 2%. So far, the effort has resulted in tighter schedules and more direct routes.

The changes are starting to pay off. The average speed of CSX freight trains improved to 20.7 miles per hour for the fourth quarter by mid-December compared with 19.5 mph in last year's second quarter. Freight trains are leaving freight yards on time 53.7% of the time for most of the fourth quarter, up from 39.3% in the second quarter.

Shipments of new automobiles, an important business for CSX, now take 83 hours to Florida from Michigan, compared with 108 hours last spring. The improved delivery times reflect the fact that the shipments are now handled at Louisville, Ky., rather than at both Cincinnati and Jacksonville, Fla.

Thomas Stroud, general manager of Evans Enterprises LLC, a wholesaler of agricultural chemicals in Spring Hill, Kan., and a CSX customer, says congestion at a major CSX freight yard in Indianapolis badly delayed Evans shipments early last year. "It was ghastly," Mr. Stroud says. But he says that the delays have subsided and he has seen "significant improvement" at CSX.

Investors have responded to both the turnaround plan and a retreat in energy prices. Shares of CSX surged to a 52-week high last week of \$40.46 a share. Yesterday the shares fell 26 cents to \$39.82 in 4 p.m. New York Stock Exchange composite trading.

Unprecedented freight growth strained trucks, trains and seaports for much of last year. Two of the nation's four largest railroads, Union Pacific Corp. and CSX, have had some of the worst service woes. Union Pacific, based in Omaha, Neb., operates in the western two-thirds of the U.S. CSX, Jacksonville, Fla., operates east of the Mississippi River.

Every major railroad is considering a range of options to deal with the current capacity crunch from laying new tracks to planning new yards. But the companies say they don't earn enough profit to do much more than maintain their current networks, and Wall Street has discouraged costly expansions.

So, some railroads have turned to process improvements like the ones at CSX. With the help of Multimodal Applied Systems Inc., a railroad consulting company in Princeton, N.J., Norfolk Southern Corp. and Canadian National Railway Co. have redesigned their networks in recent years and started operating their freight trains on more precise schedules. That requires a high degree of discipline, but there is a payoff in more consistent service, better use of locomotives, reduced costs and improved profits.

CSX is pursuing similar goals, retaining Multimodal to develop a new plan to operate the railroad and then vowing to adhere to it. "We want to do the same thing every day and make it a boring railroad," says Michael Ward, CSX's chairman and chief executive officer.

But CSX may be harder to fix. Ever since it was created in 1980 from the carcasses of two dying U.S. railroads, the company has been struggling against the inherent inefficiencies of an amalgamation of rail networks designed to compete with each other rather than work together. Partly as a result, CSX has in recent years been the least efficient of the six largest North American railroads.

CSX is "the most complex and hard to manage of any railroad in North America," says Carl Van Dyke, president of Multimodal Applied Systems.

The CSX network includes redundant routes, a complicated system of freight yards along with "significant capacity constraints," Mr. Van Dyke adds. Some CSX facilities, such as its Atlanta yard, are too small.

That forces CSX to send shipments miles out of their way to other yards that have more space, creating extra handling, delays and expenses. And the system has bottlenecks such as a tunnel in Baltimore too low for some modern freight shipments.

The problems contributed to a drop in profitability. CSX's net income for 2003 fell 42% to \$246 million, or \$1.14 a share, from 2002 earnings.

Results in both years included accounting adjustments.

Such weaknesses have fed takeover speculation, such as a rumor that Canadian National wants to buy CSX. Canadian National Chief Executive E.

Hunter Harrison denied the merger rumors to analysts in October.

Mr. Ward, the CSX chief executive, says CSX is "on the right path to improving the railroad and we don't need anyone else to come in and help us."

Write to Daniel Machalaba at daniel.machalaba@wsj.com

Photos of other unprotected CSX crossings



30thPennv.jpg



30thPenniii.jpg



SnyderSwansonii.jpg



LanierAvei.jpg



ColumbusWolf.jpg



ColumbusSnyder.jpg



ColumbusPattisoniii.jpg



ColumbusPacker.jpg



ColumbusFitzwater.jpg



ColumbusDickinsoniii.jpg

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THIS AGREEMENT, made and entered into this 17th day of July, 1993 by and between CBX TRANSPORTATION, INC., a Virginia Corporation, whose address is 500 Water Street, Jacksonville, Florida 32202, hereinafter referred to as the Railroad; and THE CITY OF JACKSONVILLE, a municipal corporation in the state of FLORIDA, whose address is City Hall Room 901, 220 East Bay Street, Jacksonville, Florida 32202, hereinafter referred to as the City:

WITNESSETH: That the Railroad, for and in consideration of One Dollar to it in hand paid by the City, the receipt whereof is hereby acknowledged, and of the covenants and agreements to be kept and performed by the City as hereinafter expressed, hereby grants or confirms to the City an easement or right-of-way, within the limits hereinafter set out, for constructing, improving and maintaining a highway or street crossing (including the usual appurtenances, such as approaches, paved roadway, curbs, gutters, sidewalks, shoulders, slopes, fills, cuts and drainage facilities) at grade across the right of way and track or tracks of the Railroad at Yorktown Avenue Westside Regional Park Entrance; Railroad Milepost A-652.8; U.S.COT/AAR _____; at Yukon, Duval County, Florida.

And the City hereby covenants and agrees in consideration of said agreement:

1(a). Said crossing shall be improved at the cost and expense of the City, but in a manner and of materials in all respects satisfactory to the Chief Engineer of the Railroad, and all incidental expenses necessarily incurred in connection therewith shall be borne by the City. After crossing improvements have been completed, the City shall maintain said crossing at its expense and in a manner in all respects satisfactory to said Chief Engineer, except, however, the Railroad shall maintain, but at the City's expense, the portion of said crossing between the rails of said track(s) and for two feet on the outside of each rail thereof.

(b). Simultaneously with the execution of this agreement by the City, the City hereby agrees to deposit with the Railroad the sum of \$215,000.00 being the estimated amount of the cost of the work to be performed by the Railroad and the materials to be furnished by the Railroad in connection with the construction of (i) a standard Type I CROSSING SURFACE, and (ii) automatic railroad grade crossing traffic control devices; hereinafter called "Devices"; at the location described herein. In the event said deposit is less than the actual cost borne by the Railroad, the City shall also, upon receipt of a bill rendered by the Railroad, promptly pay such additional cost to the Railroad. In the event said deposit is in excess of the actual cost borne by the Railroad, the Railroad shall promptly refund the difference to the City. Upon completion of the crossing improvements, the Railroad shall furnish to the City a detailed statement showing the cost of all work and materials used for construction of said crossing and devices.

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(c). After said devices have been placed in service, the Railroad will operate and maintain said devices, and the maintenance expense incident thereto shall be borne by the City. The City will pay to the Railroad, upon presentation of a bill at the end of each year as long as said devices remain in service, the current rate of \$2,117.00 for maintaining said devices. Rates for device maintenance will be reviewed periodically, if the rate should change, the amount billed will be revised accordingly. In addition to said sum for device maintenance to be paid by the City to the Railroad, the City will be obligated, within sixty days after receipt of an itemized bill from the Railroad, to (i) reimburse the Railroad for the cost of upgrading said devices to prevent obsolescence, and (ii) reimburse the Railroad for the cost of repairing, or replacing, said devices as a result of damages thereto, howsoever resulting.

(d). The City understands and agrees that said crossing shall not be open to public use until said railroad grade crossing traffic control devices have been placed in service.

2. The City will bear the cost of all temporary and permanent changes made necessary in the Railroad's signal wire line or other facilities, and in the wire line facilities of any utility that has compensable interest on the Railroad's right-of-way occasioned by the construction of said crossing and the occupancy of the Railroad's property.

3. The cost of all work performed by the Railroad (including flagging and engineering services, if any) and all materials furnished by the Railroad within the scope of this agreement to which the City is obligated to reimburse the Railroad for the cost thereof shall have surcharges added thereto in accordance with Federal-Aid Highway Program Manual Transmittal 129, dated April 25, 1975, in effect at the time the work is accomplished. All other accounting and reimbursement shall be in accordance with the Railroad's usual practice in effect for similar work at the time the project is in progress.

4. During such time that the Railroad performs improvements, maintenance or repairs to said crossing, the City will, and at the directions of the Railroad, either close said crossing to traffic or provide flagging protection (and temporary detour, if deemed necessary) at the City's expense.

5(a). The Railroad reserves the right at any time, if it so desires, to construct an additional track or tracks across said crossing; in such event, the Railroad shall have the right and is hereby granted the privilege to remove any paving from said crossing to the extent necessary for the construction of said track or tracks and, upon completion of the trackage construction, the Railroad will, but at the City's entire cost and expense, add additional crossing's; thereafter, the Railroad will, but at City's expense, maintain the portion of said crossings between the rails of said track or tracks and for two feet on the outside of each

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and thereof. In the event relocation of signals is required due to construction of said track or tracks, the cost thereof shall also be borne by the City.

(b). The Railroad also reserves the right at any time, if it so desires, to remove (abandon) any trackage located within the limits of said crossing: in such event the Railroad shall have the right and is hereby granted the privilege to remove any paving from said crossing to the extent necessary for the removal of said trackage and, upon completion of said trackage removal, the Railroad will restore said crossing at the City's expense.

6. In consideration for the rights hereby granted, it is expressly agreed that the Railroad shall not at any time or in any manner be assessed with the cost or any part of the cost of the construction and maintenance of any improvement constructed now or at any time in the future on or adjacent to said crossing.

7. The City understands that this agreement does not allow the City to install or permit the installation of any other utility within the limits of the crossing described herein.

8. The City agrees to save harmless the Railroad, its successors and assigns from any and all claims, including reasonable attorney's fees, arising out of any suit, on account of personal injuries or damage to property of whatever nature arising during construction, reconstruction or on account of improper or faulty drainage arising out of said construction or reconstruction of said crossing which is the result of the City's sole negligence to the extent permitted by law.

9(a). The City will require its contractor to purchase at no cost to the Railroad and to maintain until work on the crossing and approaches is completed and accepted, Railroad Protective Liability Insurance in a combined single limit of \$2,000,000.00 for all personal injury and property damage per occurrence, subject to an aggregate limit of \$6,000,000.00 per annual policy period. The policy of insurance shall name the Railroad as the named insured, address 500 Water Street, Jacksonville, Florida 32202, and the original policy shall be sent to Railroad's Casualty Insurance Department for approval and filing prior to contractor's entry on the job site. The policy shall be written on the ISO/EIMA (CG 00 35 11 85) with Pollution Exclusion Amendment (CG 28 31 11 85), endorsement Deleting Common Policy Conditions (CG 99 01) if Common Policy Conditions are included in the policy and Broad Form Nuclear Exclusion (IC 00 21).

(b). The City shall also require any contractor(s) to procure and maintain throughout construction or reconstruction of said crossing a Commercial General Liability Policy on a form no more restrictive than the latest edition of the Commercial General Liability Policy filed by the Insurance Services Office and must include: minimum limits of \$2,000,000.00 per occurrence and \$6,000,000.00 aggregate for bodily injury liability and a minimum

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limit of \$2,000,000.00 for property damage liability or \$6,000,000.00 aggregate. The Railroad and the City are specifically named as additional insureds. The Railroad requires proof of said insurance be sent to Railroads Casualty Insurance Department, for approval prior to any work being performed in CSX Transportation, Inc. Right-of-Way.

10. It is understood and agreed that this easement agreement shall not be binding until it has been authorized or ratified by a proper ordinance or resolution of the CITY COMMISSION OF THE CITY OF JACKSONVILLE, FLORIDA, a certified copy of which ordinance or resolution is attached hereto and made a part hereof.

IN WITNESS WHEREOF the parties hereto have executed these presents in duplicate the day and year first above written.

Witnesses for RAILROAD:

[Signature]
[Signature]

CSX TRANSPORTATION, INC:

By [Signature] (L.S.)
J. R. Clark
Assistant Chief Engineer-Public
Projects & Construction

Witnesses for CITY:

CITY OF JACKSONVILLE

By [Signature] (L.S.)
Ed Austin, Mayor
Attest [Signature] (SEAL)
Linnie C. Williams
Corporation Secretary

FORM APPROVED
[Signature]
SECRETARY TO THE COMMISSIONER

In compliance with the Charter of the City of Jacksonville, I do hereby certify that this agreement is approved and acknowledged in accordance with the provisions of the Charter and the provisions of the laws of the State of Florida.

[Signature]
City Administrator & Finance
6/6/05

Freight Highway Rail Incidents Reported to FRA
Incidents that occurred in 2001-2004 involving CSX only and ALL Railroads
in Pennsylvania, New Jersey, Delaware and Maryland

Year	State	# incidents	ped incidents	Ped incidents with:			All Incidents with:		
				gates	lights	none	watch-man	none	
(2004 up to October)									
2004	CSX only	PA	7	0				0	2
		NJ	3	0				1	0
		DE	0						
		MD	6	1	1			0	0
	Total		16	1	1	0	0	1	2
2004	all RRs	PA	59	2	2			1	8
		NJ	19	0				1	3
		DE	2	0				0	0
		MD	7	1	1			0	0
	Total		87	3	3	0	0	2	11
2003	CSX only	PA	15	2	1	1		1	0
		NJ	10	2	1		1	0	2
		DE	2	1	1			0	0
		MD	13	1	1			1	2
	Total		40	6	4	1	1	2	4
2003	all RRs	PA	86	2	2	1		2	5
		NJ	42	4	3		1	1	11
		DE	8	1	1			1	0
		MD	20	1	1			1	2
	Total		156	8	7	1	1	5	18
2002	CSX only	PA	4	0				0	0
		NJ	5	0				0	0
		DE	1	0				0	0
		MD	8	1	1			0	0
	Total		18	1	1	0	0	0	0
2002	all RRs	PA	72	0				0	10
		NJ	17	0				0	0
		DE	6	0				0	1
		MD	10	1	1			0	0
	Total		105	1	1	0	0	0	11
2001	CSX only	PA	9	0				0	0
		NJ	2	0				0	0

		DE	2	0					0	0
		MD	12	0					0	1
	Total		25	0	0	0	0	0	0	1
2001	all RRs	PA	65	1	1				1	2
		NJ	24	0					1	6
		DE	7	0					1	0
		MD	15	0					0	2
	Total		111	1	1	0	0	3	10	