

The Economic Impact of America's Freight Railroads

Summary

America's freight railroads move vast amounts of just about everything, connecting businesses with each other across the country and with markets overseas over a 140,000-mile network. America's railroads form the most efficient and cost-effective freight rail system in the world, saving our economy billions of dollars each year — while reducing pollution, energy consumption, and greenhouse gas emissions; relieving highway congestion; and enhancing safety. Each year, U.S. freight railroads pay close to \$20 billion in wages and benefits to their employees; provide close to \$10 billion in benefits to industry retirees and their families; pay billions of dollar in taxes; and spend billions of dollars on locally-purchased supplies and services.

America's Freight Railroads Carry Huge Amounts of a Variety of Commodities

Without freight railroads, the U.S. economy could not function. In fact, railroads serve nearly every industrial, wholesale, retail, agricultural, and mineral-based sector of the economy:

- Agricultural Products – Railroads have helped farmers get their goods to market since the earliest days of railroading. Class I railroads originated 1.7 million carloads of wheat, corn, soybeans, and other agricultural products in 2007.
- Chemicals – The more than 2.0 million carloads of chemicals originated by Class I railroads in 2007 helped clean our water, fertilize our farms, package our food, build our cars and homes, and enhance our well-being in thousands of other ways.
- Coal – Coal generates half of our electricity, and railroads haul more coal than any other transportation mode. Class I railroads originated 7.5 million carloads of coal in 2007, enough to meet the electricity needs of every home in America. By helping to keep coal-based generation affordable, railroads help reduce our dependence on imported energy.
- Food Products – In addition to agricultural products, in 2007 railroads hauled 1.5 million carloads of animal feed, beer, birdseed, canned produce, corn syrup, flour, french fries, frozen chickens, sugar, wine, and countless other food products.
- Forest Products – In a typical year, America's freight railroads carry more than 1.2 million carloads of forest products, including lumber, pulp, and paper (including tens of thousands of carloads of scrap paper for recycling). The U.S. forest products industry is among the most competitive in the world in part because it has access to efficient and cost-effective transportation and distribution networks, including railroads.
- Intermodal – Intermodal service (the movement of containers or truck trailers by rail and at least one other mode of transportation, usually trucks or ocean carriers) has been the

fastest growing major segment of the U.S. freight rail industry for many years. Rail intermodal movements rose from 3 million trailers and containers in 1980 to more than 12 million in 2006 and 2007.



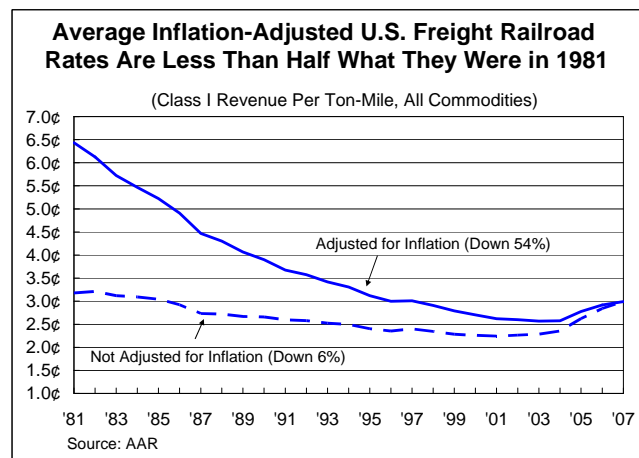
Intermodal is used to transport a huge variety of consumer goods and increasing amounts of industrial and agricultural products as well. More than half of U.S. rail intermodal traffic consists of imports or exports, reflecting the vital role railroads play in international trade.

- Motor Vehicles – Approximately 70 percent of the automobiles built in the United States move by rail. In 2007, railroads originated 1.2 million carloads of finished vehicles, plus 465,000 carloads of automotive parts and accessories. Cost-effective, reliable rail transportation allows auto plants to operate on efficient just-in-time schedules.
- Railroads also carry large amounts of metallic ores (such as iron ore and bauxite), steel and other metal products, petroleum products (such as petroleum coke and liquefied petroleum gases), nonmetallic minerals (such as crushed stone, sand, and phosphate rock), concrete and cement, and many other products.

Freight Railroads Are Extremely Cost Effective

Freight railroads account for approximately 41 percent of U.S. freight ton-miles (more than any other mode of transportation), but because they are so efficient and cost effective, they generate only around 10 percent of intercity freight revenue.

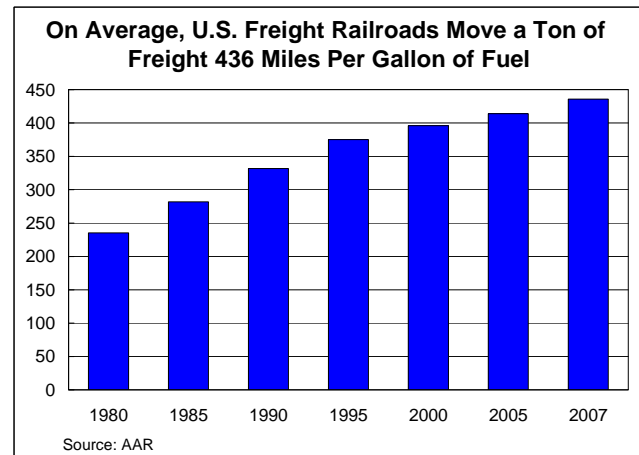
- On average, it cost 6 percent less in current dollars, and 54 percent less in inflation-adjusted terms, to move freight by rail in 2007 than it did in 1981.
- These rate reductions have helped rail customers control their prices, saving them (and, ultimately, all of us) billions of dollars each year, enhancing the global competitiveness of U.S. goods, and improving our standard of living.
- A few years ago, the American Association of State Highway and Transportation Officials (AASHTO) has estimated that if all freight rail traffic were shifted to trucks tomorrow, rail shippers would have to pay an additional \$69 billion per year.



Freight Railroads Provide Huge Public Benefits

In addition to their cost effectiveness, railroads offer substantial public benefits:

- Fuel efficiency – Railroads are three or more times more fuel efficient than trucks. In 2007, U.S. freight railroads, on average, moved a ton of freight nearly 436 miles per gallon of fuel. If just 10 percent of the long-haul freight that moves by highway moved by rail instead, fuel savings would exceed one billion gallons per year.
- Greenhouse gases – Because of railroads' fuel efficiency, railroads have a smaller carbon footprint: every ton-mile of freight that moves by rail instead of truck reduces greenhouse gas emissions by two-thirds or more.
- Highway congestion – Highway congestion costs \$78 billion per year just in wasted travel time (4.2 billion hours) and wasted fuel (2.9 billion gallons), according to a Texas Transportation Institute study. But since a typical freight train carries the freight of several hundred trucks, railroads help reduce highway congestion. Moreover, building more highways is incredibly expensive and time consuming. Freight railroads significantly reduce the costs of maintaining existing roads and the pressure to build costly new roads. AASHTO has estimated that if all rail freight were shifted to trucks, it would cost governments an extra \$128 billion for highway improvements.
- Pollution – The Environmental Protection Agency estimates that for every ton-mile, a typical truck emits roughly three times more nitrogen oxides and particulates than a locomotive. Other studies suggest that the rail advantage is even greater.
- Safety – The U.S. rail industry's safety record is excellent, and rail safety continues to improve. In fact, 2006 and 2007 were the safest years ever for U.S. railroads. According to Federal Railroad Administration data, from 1980 to 2007 the rail employee casualty rate was reduced 80 percent, the grade crossing collision rate was reduced 77 percent, and the overall train accident rate was reduced 71 percent.



Freight Railroading Offers Exceptional Employee Wages and Benefits

- In 2007, the average U.S. Class I freight railroad employee earned wages of \$69,400, health and welfare benefits of \$13,200, and payroll taxes paid on his or her behalf of \$14,900 — for total compensation of \$97,400. By contrast, the average wage per full-time employee in the U.S. in 2007 was \$49,100 (71 percent of the comparable rail figure) and average total compensation was \$60,300 (62 percent of the comparable rail figure).
- Rail employees are covered by the Railroad Retirement System, which is much more generous than Social Security. In fiscal year 2007, 616,000 beneficiaries (including retired railroad employees and their survivors) received \$9.8 billion in retirement and survivor benefits from the Railroad Retirement System.