

The Economic Impact of America's Freight Railroads

ASSOCIATION OF AMERICAN RAILROADS

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Summary

From the food on our tables to the cars we drive to the shoes on our children's feet, **freight railroads carry the things America depends on.** America's railroads account for 43 percent of intercity freight volume — more than any other mode of transportation — and provide the **most efficient and affordable** freight service in the world. Every year, America's freight railroads save consumers billions of dollars while reducing energy consumption and pollution, lowering greenhouse gas emissions, cutting highway gridlock, and reducing the high costs of highway construction and maintenance. In addition, America's freight railroads generate nearly \$265 billion in total annual economic activity and sustain 1.2 million jobs, including more than 175,000 well-paying jobs in the freight rail industry itself.

Freight Railroads Mean More Jobs and a Stronger Economy

By linking businesses to each other here and abroad, freight railroads have played a crucial role in America's economic development for 180 years. They remain critical to our economy today:

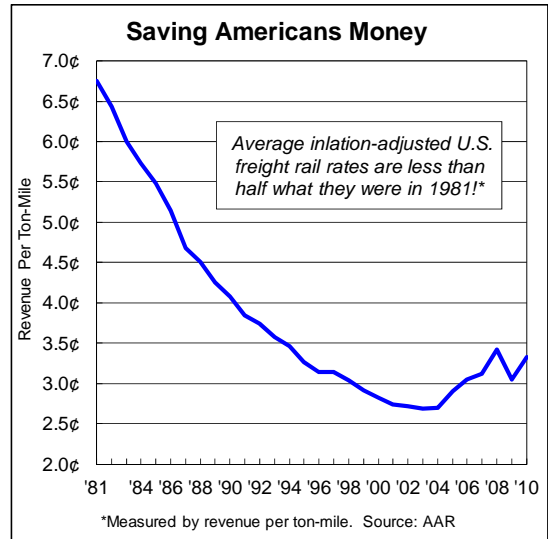
- The more than 175,000 **freight railroad employees are among America's most highly compensated workers.** According to U.S. government data, in 2010 the average full-time rail industry employee earned wages of \$82,600 and fringe benefits of \$25,100, for total average compensation of \$107,800. By contrast, the average wage per full-time employee in the United States in 2010 was \$53,000 (just 64 percent of the comparable rail figure) and average total compensation was \$66,000 (just 61 percent of the rail figure).
- According to a U.S. Department of Commerce model of the U.S. economy, in addition to their own employees **freight railroads sustain more than 1 million additional jobs** at firms that provide goods and services to railroads or that are recipients of spending by the employees of railroads and their suppliers. The model indicates that every job in day-to-day freight rail operations sustains another **4.5 jobs** elsewhere in the economy, and that **freight railroads generate nearly \$265 billion in total economic activity each year** including direct, indirect, and induced effects.
- Millions of other Americans work in industries that are more competitive in the global economy thanks to the affordability and productivity of America's freight railroads.
- Rail industry employees are covered by the Railroad Retirement System, which is funded by railroads and their employees. In fiscal year 2010, approximately **580,000 beneficiaries** received some **\$10.8 billion** in benefits from the Railroad Retirement System.
- Railroads account for approximately **one third of all U.S. exports.**

Freight Railroads Save America Money

Railroads help their customers control their prices, saving them (and, ultimately, consumers) billions of dollars each year, **enhancing the global competitiveness** of U.S. goods, and **improving our standard of living**.

In fact, average **U.S. freight rail rates** (measured by inflation-adjusted revenue per ton-mile) **were 51 percent lower in 2010 than in 1981**. That means **the average rail shipper can move twice as much freight today for the same price it paid 30 years ago**.

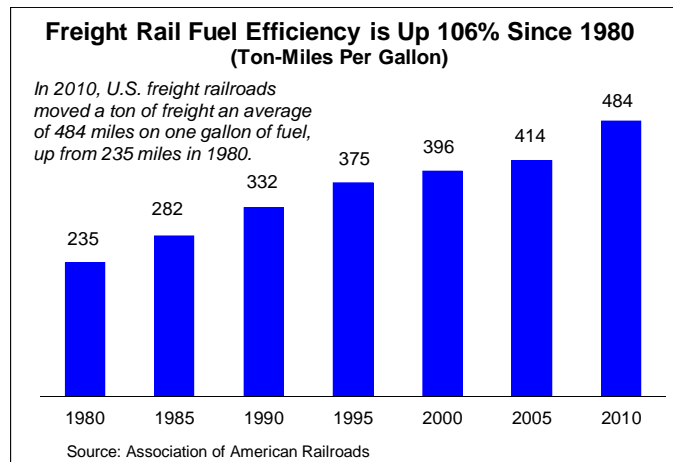
A few years ago, the American Association of State Highway and Transportation Officials (AASHTO) estimated that if all freight rail traffic were shifted to trucks, rail shippers would have to pay an additional \$69 billion per year. Adjusted for increased freight volume and inflation, that figure is probably close to \$95 billion today.



Freight Railroads Provide Huge Public Benefits

In addition to their role as an economic engine, railroads offer substantial public benefits:

- **Fuel efficiency** – On average, railroads are **four times more fuel efficient than trucks**. In 2010, U.S. railroads moved a ton of freight an average of **484 miles per gallon** of fuel.
- **Greenhouse gases** – Because greenhouse gas emissions are directly related to fuel consumption, moving freight by rail instead of truck **reduces greenhouse gas emissions by 75 percent**, on average.



- **Highway Congestion** – Highway gridlock costs the U.S. economy **\$101 billion per year** — and that’s just in wasted fuel and time. Lost productivity, cargo delays, and other costs add tens of billions of dollars to this tab. But **a train can carry the freight of several hundred trucks**. That means railroads reduce highway gridlock, the costs of maintaining existing highways, and the pressure to build costly new highways. That’s especially important now when government funding for highway spending and other purposes is under such severe pressure.
- **Pollution** – Moving freight by rail rather than truck significantly reduces emissions, and that means cleaner air for all of us. In March 2008, the EPA issued stringent new locomotive emissions standards that will cut rail emissions by up to 90 percent.

Transporting the Things We Use Every Day

From one end of the country to the other, America's freight railroads transport a huge spectrum of commodities, including the following:

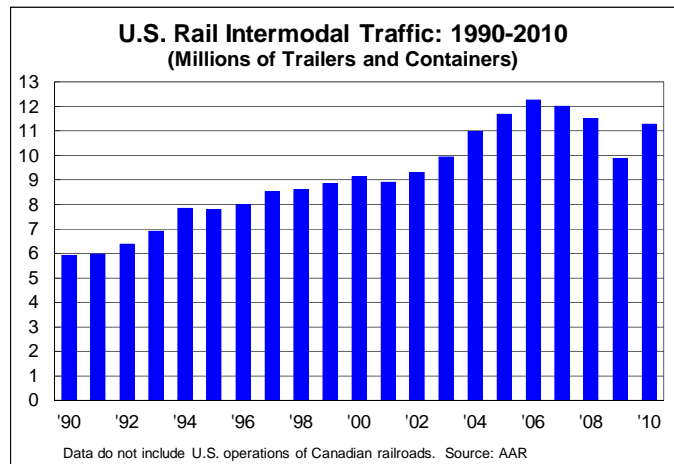
- **Agricultural and Food Products** – Each year, railroads haul 1.6 million to 1.7 million carloads of wheat, corn, soybeans, and other agricultural products, plus another 1.5 million carloads of animal feed, beer, birdseed, canned produce, corn syrup, flour, french fries, frozen chickens, sugar, wine, and countless other food products. **If it's on your table or in your pantry, railroads probably had a hand in getting it there.**

- **Chemicals** – The 2 million carloads of chemicals that America's railroads carry in a typical year help clean our water, fertilize our farms, package our food, build our cars and homes, protect our health, and **enhance our well-being** in thousands of other ways.



- **Coal** – Nearly half of America's electricity is produced from coal, and railroads haul 70 percent of America's coal. The electricity produced from rail-delivered coal is enough to **meet the power needs of every home in America.** By helping to keep coal-based electricity affordable, railroads reduce our dependence on imported energy.

- **Intermodal** – Rail intermodal service (moving shipping containers and truck trailers on rail cars) transports a huge variety of consumer goods, from electronics and greeting cards to clothing and furniture, as well as industrial and agricultural products. Around 60 percent of rail intermodal consists of imports or exports, reflecting the vital role railroads play in international trade.



- **Paper and Lumber** – In a typical year, America's freight railroads carry more than a million carloads of lumber and paper products — including wood to build our homes, newsprint and magazine paper, and cardboard for packaging. Railroads also haul tens of thousands of carloads of recycled paper and cardboard each year.
- **Motor Vehicles** – Each year, railroads deliver to dealers millions of new cars and trucks and deliver to auto manufacturers many of the parts and accessories used to build them.
- Railroads also carry millions of carloads of raw materials and industrial products that are critical to our way of life, including **metallic ores** (such as iron ore and bauxite), **steel** and other metal products, **petroleum**, **crushed** stone and gravel, **cement**, **scrap metal** for recycling, and much more.