TOTAL ANNUAL SPENDING

2015 DATA

ASSOCIATION OF
AMERICAN RAILROADS

WE INVEST SO AMERICA MOVES:
HOW RAILROADS SPEND THEIR MONEY

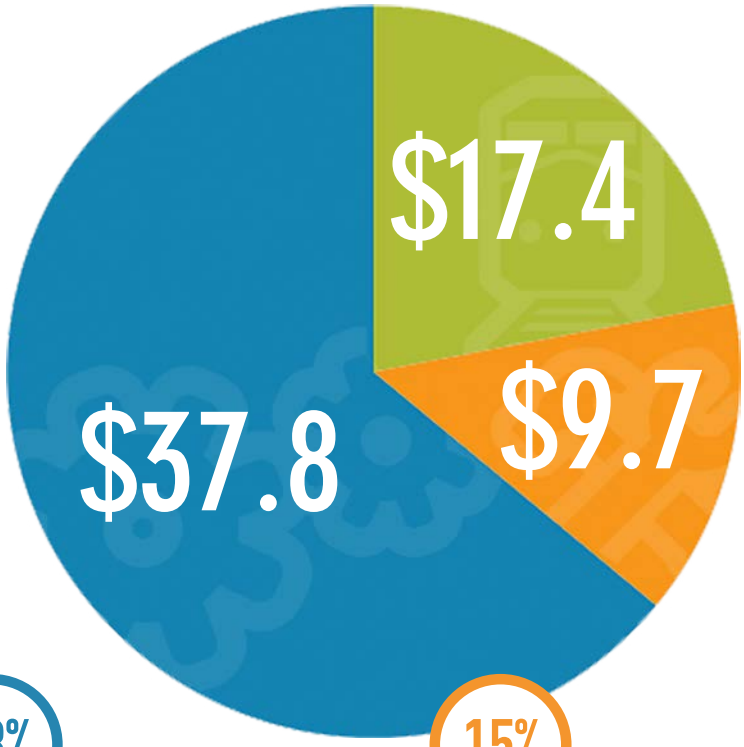
Every year America's freight railroads spend billions of dollars of their own funds, not taxpayer money, to build and maintain a rail network that is safe, reliable, efficient, and affordable. Since 1980, railroads have spent over $600 billion – the equivalent of more than 40 cents out of every revenue dollar – back into the network on which America's economy rides.

Railroad spending can be divided into three categories: the cost to run the railroads, the cost to maintain the railroads, and the cost to grow and modernize the railroads. Because railroads own their own infrastructure, the amount of money required to build, maintain, and upgrade the network is significant. In fact, railroads reinvest five times more than the average manufacturer. We carry our own weight while delivering what consumers want and businesses need.

TOTAL ANNUAL SPENDING

2015 DATA

$64.9 BILLION



58%

RUN

It costs a significant amount of money to run a railroad. Transportation expenses, such as train crew wages and fuel, account for nearly half of Class I railroad operating expenses.

15%

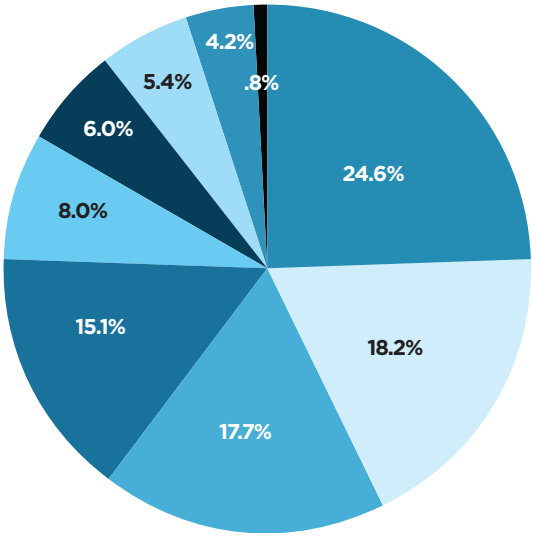
MAINTAIN

Railroads, unlike other modes of transportation, own the infrastructure over which they operate. This 140,000-mile privately-owned freight rail network serves as the backbone of our economy and the foundation for the movement of goods and people by rail. Maintaining both the infrastructure and the equipment used to provide service to our customers requires significant spending.

27%

GROW

In addition to the money it costs to run and maintain a railroad, freight rail companies invest significant sums to modernize and expand the capacity of the rail network and purchase equipment. In 2015, railroads invested record amounts in response to the movement of a record number of ton-miles in 2014, and as part of continuing efforts to install an automated collision avoidance system.



COST BREAKDOWN TO
RUN THE RAILROADS $37.8 BILLION

It costs a significant amount of money to run a railroad Transportation expenses, such as train crew wages and fuel, account for nearly half of Class I railroad operating expenses.

WAGES $9.3 billion (24.6%)

The rail industry ranks in the top 10 percent of industries in terms of total compensation. In 2015, the average freight rail employee earned wages over $86,000.

ALL OTHER, TAXES $6.9 billion (18.2%)

Railroads pay billions of dollars in other taxes – including taxes on income, excise, property, and sales. Income taxes alone totaled $5.6 billion in 2015. Unlike other modes of transportation, railroads own their infrastructure (both track and land) and paid nearly 1.2 billion in property taxes in 2015.

FUEL $6.7 billion (17.7%)

In 2015, Class I railroads moved freight 1.7 trillion ton-miles using 3.7 billion gallons of fuel. That means, on average, railroads moved one ton of freight 473 miles on just a single gallon of fuel! Getting 473 MPG (per ton)

PURCHASED SERVICES $5.7 billion (15.1%)

In 2015, railroads paid for many services provided by other companies. Among the items in this category is nearly $1.1 billion paid to small railroads to move freight cars to and from their customers for the larger railroads. More than $1.9 billion was spent to provide pickup and delivery services for customers and to load and unload their freight to and from rail cars. Finally, services ranging from the hotel bills of train crews when they are away from home to vendors such as auditing and legal firms along with outside data processing firms are included in the "Cost to Run" category.

EQUIPMENT & OTHER RENTALS $3.0 billion (8.0%)

In 2015, railroads paid a net $2.7 billion to rent freight cars and locomotives from other equipment owners or from each other. In addition, railroads also paid $207 million in rent for the right to operate their trains on small railroads and to operate on other Class I railroads.

ALL OTHER $2.3 billion (6.0%)

All other expenses in the "Cost to Run" category include a wide variety of things. The largest single item is $511 million in insurance payments. Also included are expenses for a variety of administrative functions common to any large business enterprise.

PAYROLL TAXES $2.0 billion (5.4%)

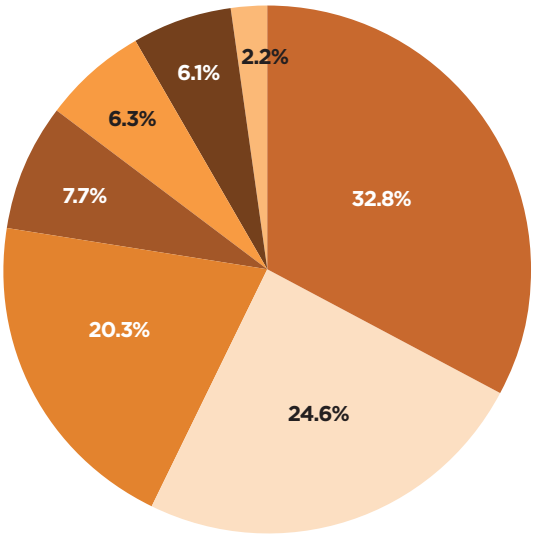
Payroll taxes paid by railroads for employees involved in operating and managing rail operations amounted to $2.0 billion in 2015. Railroad retirement taxes, which are paid by railroads and their employees into a federally administered fund for rail employees are much higher than the social security payments made by other employers and workers and comprise a significant part of the railroad tax bill. During a typical year, over 550,000 beneficiaries receive retirement and survivor benefits totaling to over $11 billion from the railroad retirement system.

EMPLOYEE BENEFITS $1.6 billion (4.2%)
(includes health and welfare benefits and pensions)

Rail employees often cite great benefits among the many reasons they chose a career in the industry. Including payroll taxes, the benefits package for the average Class I freight rail employee totaled $34,600 in 2015.

MATERIALS & SUPPLIES $300 million (0.8%)

Materials and supplies, other than fuel, that are used in non-maintenance activities are a small portion of total expenses. Supplies for train operation, train management, and lubricants account for more than half of materials and supplies in the "Cost to Run" category. Administrative and clerical supplies account for a smaller portion of these expenses.



COST BREAKDOWN TO
MAINTAIN THE RAILROADS
(EXCLUDING DEPRECIATION)
$9.7 BILLION

Railroads, unlike other modes of transportation, own the infrastructure over which they operate. This 140,000-mile privately owned freight rail network serves as the backbone of our economy and the foundation for the movement of goods and people by rail. Maintaining both the infrastructure and the equipment used to provide service to our customers requires significant spending.

WAGES $3.2 billion (32.8%)

The rail industry ranks in the top 10 percent of industries in terms of total compensation. In 2015, the average freight rail employee earned wages over $86,000.

MATERIALS AND SUPPLIES $2.4 billion (24.6)

Materials and supplies are necessary to maintain rolling stock such as freight cars and locomotives. In 2015, Class I railroads maintained a fleet of approximately 26,500 locomotives and 331,000 freight cars, and were frequently called upon to perform maintenance on non-railroad owned freight cars. Class I railroads also maintain more than 160,000 miles of track. For both maintenance and modernization projects (see “Cost to Grow” category), railroads installed nearly 14.6 million crossties in 2013. Approximately 5,900 miles of rail was replaced as part of maintenance and replenishment programs – enough rail to stretch from coast to coast and back again!

PURCHASED SERVICES $2.0 billion (20.3%)

Many of the expenses for maintaining railroads’ networks and equipment include purchasing services from other companies. In 2015, the Class I railroads spent nearly $551 million dollars on purchased services for locomotive and freight car repair and maintenance. Another $1.1 billion was spent for purchased services to support infrastructure maintenance such as roadway, rail, ties, ballast, signals, and communications.

PAYROLL TAXES $700 million (7.7%)

Payroll taxes paid by railroads for employees involved in maintenance activities amounted to about $750 million in 2015. Railroad retirement taxes – paid by railroads and their employees into a federally administered fund for rail employees – are much higher than the social security payments made by non-railroad employers and workers and comprise a significant part of the railroad tax bill. During a typical year, over 550,000 beneficiaries receive retirement and survivor benefits totaling to over $11 billion from the railroad retirement system.

ALL OTHER $600 million (6.3%)

These expenses include a wide variety of categories. The largest single item is nearly $239 million in insurance payments related to equipment and infrastructure.

EMPLOYEE BENEFITS $600 million (6.1%)
(includes health and welfare benefits and pensions)

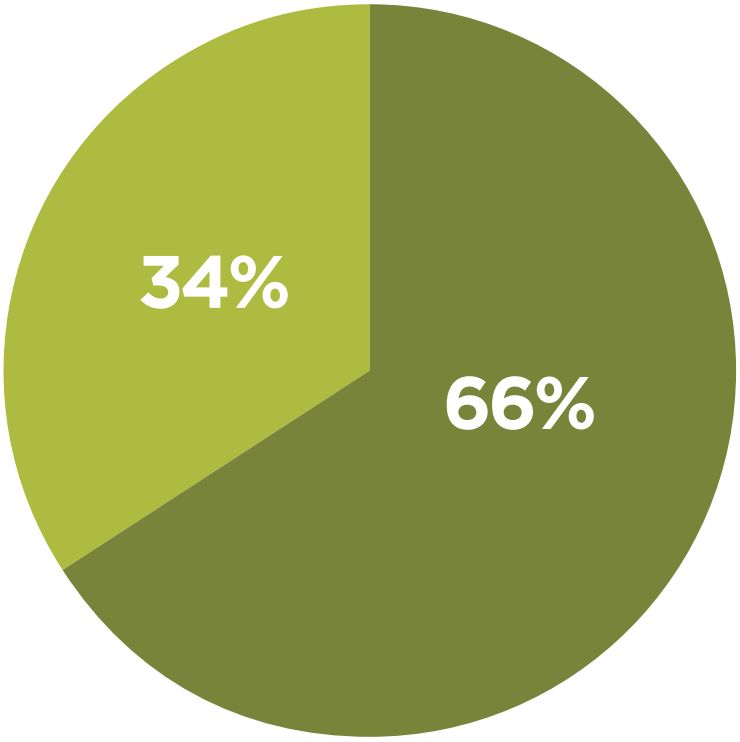
Rail employees often cite great benefits among the many reasons they chose a career in the industry. The benefits package for the average freight rail employee totaled $34,600 in 2015.

RENTALS $200 million (2.2%)

This category of costs includes renting machinery to maintain track and structures as well as maintenance expenses incurred when trains from one railroad use the track of another.

COST BREAKDOWN TO
GROW & MODERNIZE THE RAILROADS
$17.4 BILLION

In addition to the money it costs to run and maintain a railroad, freight rail companies invest significant sums to modernize and expand the capacity of the rail network and purchase equipment.In 2015, railroads spent record amounts in response to traffic volumes in 2014 and as part of a continuing effort to install an automatic collision avoidance system known as Positive Train Control.



66%

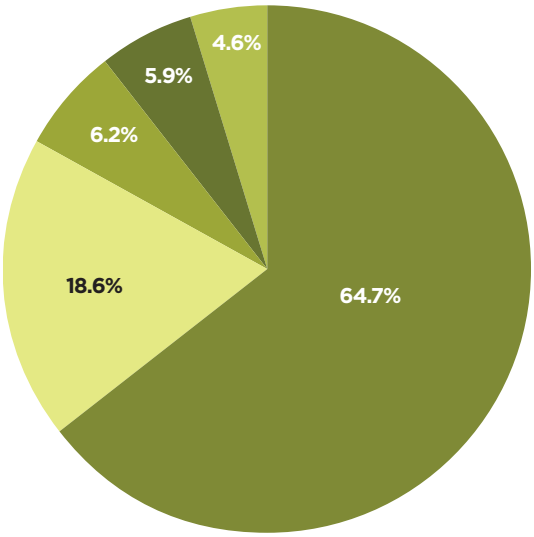
TRACK AND PROPERTY
$11.4 billion

Capital expenditures on track and property include the cost of materials and labor required to renew and expand the network as well as investments in land and advanced technology.

34%

EQUIPMENT
$6.0 billion

Capital expenditures on equipment include purchasing and rebuilding locomotives and rail cars used to move the things Americans want and businesses need. In 2015, Class I railroads maintained a fleet of approximately 26,500 locomotives and 331,000 freight cars.



COST BREAKDOWN TO
GROW & MODERNIZE THE RAILROADS

EQUIPMENT 34%

$6.0 BILLION

Capital expenditures on equipment include purchasing and rebuilding locomotives and rail cars used to move the things Americans want and businesses need. In 2015, Class I railroads maintained a fleet of approximately 26,500 locomotives and 331,000 freight cars.

LOCOMOTIVES $3.9 billion (64.7%)

In 2015, Class I railroads purchased and/or newly leased 855 new and 127 used locomotives. They also added 203 rebuilt locomotives. New locomotives typically cost more than $2 million, while rebuilding a locomotive often costs approximately $1 million. Railroads have also invested in idling reduction and energy management technology to reduce fuel consumption, which has helped make rail 4 times more fuel efficient than trucks.

FREIGHT CARS $1.1 billion (18.6%)

In 2015, Class I railroads purchased 4,535 new freight cars. They signed new leases for an additional 1,715 new and 544 rebuilt freight cars. They also installed 7,638 used freight cars either through a purchase or a new lease. Many of these cars were tank cars or covered hoppers. Tank cars are used to haul chemicals, oil, and food products, while covered hoppers are typically used to haul farm products, non-metallic minerals, or chemicals.

ALL OTHER, EQUIPMENT $370 million (6.2%)

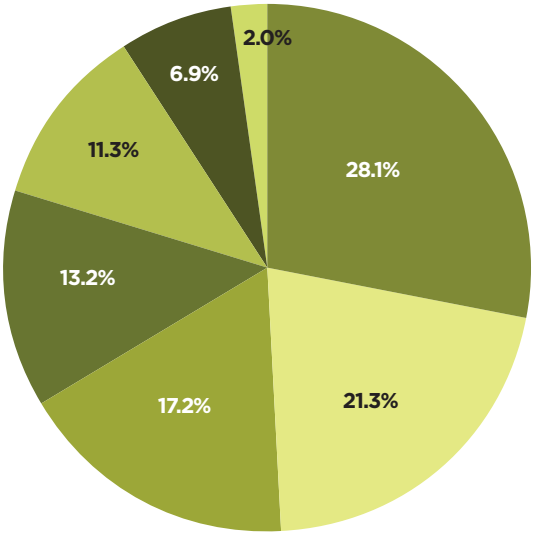
All other capital expenditures on equipment include work, floating and miscellaneous equipment. Work equipment includes high productivity track maintenance equipment, snow plows used to keep the tracks clear of snow and shop machinery needed to maintain all the other equipment used on a railroad. Floating equipment includes boats used to inspect and maintain bridges.

COMPUTER EQUIPMENT $350 million (5.9%)

Railroads are constantly researching and developing high-tech innovations to enhance rail operations. From specialized wayside detector systems to advanced GPS technologies – computers have enhanced the efficiency, safety, and reliability of railroad operations.

HIGHWAY EQUIPMENT $270 million (4.6%)

Railroads use highway equipment, such as cars and trucks, in their day to day operations. Many highway vehicles owned by railroads are also equipped with retractable rail wheels so they can operate directly on the railroad track.



COST BREAKDOWN TO
GROW & MODERNIZE THE RAILROADS

TRACK AND PROPERTY 66%

$11.4 BILLION

Capital expenditures on track and property include the cost of materials and labor required to renew and expand the network as well as investments in land and advanced technology.

RAIL AND OTHER TRACK MATERIALS
$3.2 billion (28.1%)

In 2015, Class I railroads laid approximately 69,000 tons of new rail and 20,000 tons of used rail for expansion projects. Additional rail was laid as part of modernization projects and maintenance projects (see “Cost to Maintain” category).

ALL OTHER, TRACK AND PROPERTY
$2.4 billion (21.3%)

This category includes building or purchasing terminals and office buildings, tunnels, elevated structures, maintenance shops, docks, wharves, engine houses, communication systems, and other property.

TIES $2.0 billion (17.2%)

More than 910,000 crossties were laid exclusively for expansion projects in 2015. Nearly 14.6 million additional crossties were laid as replacement in existing track – some were part of modernization projects while others were for maintenance projects (see “Cost to Maintain” category).

SIGNALS $1.5 billion (13.2%)

Railroads will be safer than ever due in large part to the investments currently being made in railroad signaling systems and complex safety technologies. These technologies indicate to locomotive engineers whether or not they can proceed safely through a section of track. Railroads are currently working to develop positive train control systems that will automatically stop or slow a train before collisions occur.

BALLAST $1.3 billion (11.3%)

Ballast serves as the bed for railroad ties and track, and keeps the track stable. Typically made from crushed stone, ballast also facilitates drainage and inhibits vegetation growth. In 2015, railroads added about 11.2 million cubic yards of ballast to the track structure in maintenance, modernization, and expansion projects.

BRIDGES $788 million (6.9%)

There are approximately 100,000 railroad bridges in the United States.

LAND $227 million (2.0%)

As one of the largest industries in terms of land ownership, railroads regularly need to acquire new land on which to build facilities such as railroad terminals. However, railroads also acquire land for buildings and rail line additions.