U.S. Freight Rail Competes in a Modern Economy

Rail has grown its business alongside the tangible economy.

Rail volumes excluding coal are largely dependent on the state of the economy, especially the parts of the economy related to the consumption and production of goods. As those sectors have grown, so have rail volumes. Rail coal shipments have dropped precipitously in recent years as energy markets have changed.

Rail generates modest profits, invests at a high rate.

There is no evidence railroads are making excessive profits, though — their earnings today are at best about average among most industries. Railroads are capital intensive, investing 40 cents out of each revenue dollar into their network. The rail industry’s financial health has improved in recent years. Today, railroads spend approximately six times more than the average manufacturer on capital spending as a percentage of revenue.

U.S. Rail Ton-Miles Excluding Coal vs. U.S. Goods-Related GDP*

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Railroads vs. Other Industries

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While rail rates are up in recent years alongside input costs, they remain down over the last 40 years following regulatory reform.

Rail rates have modestly risen in recent years to reflect both higher rail input costs and the need for railroads to pay for the record reinvestments in their networks but are modest increases compared to many other goods and services in the economy.

Operating in a competitive environment, railroads continue to improve key metrics tied to U.S. economic success.

Since instituting a market-based regulatory system, railroads have become more productive, handled greater volumes and grown their business alongside their customers. The current regulatory system continues to be a huge success for the economy, rail customers, and railroads themselves.