TOTAL ANNUAL SPENDING
2013 DATA

ASSOCIATION OF
AMERICAN RAILROADS
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 $575 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.
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. 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.

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 2014, railroads project an estimated $13 billion in capital expenditures on track and equipment.

TOTAL ANNUAL SPENDING

2013 DATA

$64.1 BILLION

RUN 66%

Maintain 14%

Grow 20%

Association of American Railroads
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.

**FUEL** $11.6 billion (27.5%)
In 2013, 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)]

**WAGES** $8.9 billion (21.2%)
The rail industry ranks in the top 10 percent of industries in terms of total compensation. In 2012, the average freight rail employee earned wages of $76,500 – 37 percent more than the average U.S. worker.

**ALL OTHER TAXES** $6.9 billion (16.3%)
Railroads pay billions of dollars in other taxes – including taxes on income, excise, property, and sales. Income taxes alone totaled $5.7 billion in 2013. Unlike other modes of transportation, railroads own their infrastructure (both track and land) and paid more than $1 billion in property taxes in 2013.

**PURCHASED SERVICES** $5.6 billion (13.4%)
In 2013, 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 $1.8 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 (7.2%)
In 2013, railroads paid a net $2.6 billion to rent freight cars and locomotives from other equipment owners or from each other. In addition, railroads also paid $230 million in rent for the right to operate their trains on small railroads and to operate on other Class I railroads.

**EMPLOYEE BENEFITS** $1.9 billion (4.6%)
(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 $33,200 in 2012 – more than double that of the average U.S. worker.

**PAYROLL TAXES** $1.8 billion (4.2%)
Payroll taxes paid by railroads for employees involved in operating and managing rail operations amounted to $1.8 billion in 2013. 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. In fiscal year 2013, approximately 567,000 beneficiaries received retirement and survivor benefits totaling $11.6 billion from the railroad retirement system.

**MATERIALS & SUPPLIES** $400 million (1.0%)
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.

**ALL OTHER** $1.9 billion (4.6%)
All other expenses in the “Cost to Run” category include a wide variety of things. The largest single item is $439 million in insurance payments. Also included are expenses for a variety of administrative functions common to any large business enterprise.
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 $2.7 billion (30.8%)**

The rail industry ranks in the top 10 percent of industries in terms of total compensation. In 2012, the average freight rail employee earned wages of $76,500 – 37 percent more than the average U.S. worker.

**MATERIALS AND SUPPLIES $2.2 billion (24.7%)**

Materials and supplies are necessary to maintain rolling stock such as freight cars and locomotives. In 2013, Class I railroads maintained a fleet of approximately 25,000 locomotives and 374,000 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 15.6 million crossties in 2013. Approximately 5,800 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 (22.0%)**

Many of the expenses for maintaining railroads’ networks and equipment include purchasing services from other companies. In 2013, the Class I railroads spent nearly $723 million dollars on purchased services for locomotive and freight car repair and maintenance. Another $921 million was spent for purchased services to support infrastructure maintenance such as roadway, rail, ties, ballast, signals, and communications.

**EMPLOYEE BENEFITS $700 million (7.4%)**

_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 $33,200 in 2012 – more than double that of the average U.S. worker.

**PAYROLL TAXES $600 million (6.8%)**

Payroll taxes paid by railroads for employees involved in maintenance activities amounted to more than $600 million in 2013. 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. In fiscal year 2013, approximately 567,000 beneficiaries received retirement and survivor benefits totaling $11.6 billion from the railroad retirement system.

**RENTALS $200 million (2.4%)**

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.

**ALL OTHER $500 million (5.8%)**

These expenses include a wide variety of categories. The largest single item is nearly $169 million in insurance payments related to equipment and infrastructure.
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 2014, railroads project an estimated $13 billion in capital expenditures on track and equipment.

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<th>Track and Property</th>
<th>Equipment</th>
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<td>$9.3 billion</td>
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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.

Capital expenditures on equipment include purchasing and rebuilding locomotives and rail cars used to move the things Americans want and businesses need. In 2013, Class I railroads owned a fleet of approximately 25,000 locomotives and 374,000 freight cars.
TOTAL ANNUAL SPENDING

COST BREAKDOWN TO GROW & MODERNIZE THE RAILROADS

EQUIPMENT 29%

$3.8 BILLION

Capital expenditures on equipment include purchasing and rebuilding locomotives and rail cars used to move the things Americans want and businesses need. In 2013, Class I railroads owned a fleet of approximately 25,000 locomotives and 374,000 freight cars.

- **LOCOMOTIVES $2.3 billion (60.7%)**
  In 2013, Class I railroads purchased and/or leased 665 new and 258 used locomotives. They also added 232 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 $850 million (23.0%)**
  In 2013, Class I railroads purchased 1,601 new and 7,673 used freight cars. They also leased 918 new freight cars, and rebuilt six. Many of these cars were flat multilevels or covered hoppers. Flat multilevel cars are used to haul automobiles while covered hoppers are typically used to haul farm products, minerals (including frac sand), or chemicals.

- **COMPUTER EQUIPMENT $300 million (7.7%)**
  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 $100 million (1.9%)**
  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.

- **ALL OTHER, EQUIPMENT $250 million (6.8%)**
  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.
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
**$2.7 billion (29.4%)**
In 2013, Class I railroads laid approximately 42,000 tons of new rail and 25,000 tons of used rail for expansion projects. Additional rail was laid as part of modernization projects and maintenance projects (see “Cost to Maintain” category).

### TIES
**$1.8 billion (19.0%)**
More than 650,000 crossties were laid exclusively for expansion projects in 2013. Nearly 15.6 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
**$1.2 billion (12.7%)**
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
**$1.0 billion (11.0%)**
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 2013, railroads added about 13.5 million cubic yards of ballast to the track structure in maintenance, modernization, and expansion projects.

### BRIDGES
**$500 million (5.7%)**
There are approximately 100,000 railroad bridges in the United States.

### LAND
**$150 million (1.7%)**
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.

### ALL OTHER, TRACK AND PROPERTY
**$1.9 billion (20.7%)**
This category includes building or purchasing terminals and office buildings, tunnels, elevated structures, maintenance shops, docks, wharves, engine houses, communication systems, and other property.