

Mode Choice, Energy Consumption and Emissions in U.S. Freight Transportation

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Abstract

We exploit newly available micro data on goods movement in the U.S. to model shippers' freight mode choices. Because freight modes have vastly different fuel intensities, shippers' choices have large implications for fuel consumption and emissions. We find higher fuel prices yield substantial shifts from less to more fuel efficient modes, particularly rail. We extend our model to analyze recently enacted heavy duty truck fuel economy standards. Surprisingly, fuel economy standards can increase emissions and fuel consumption by shifting shipments to less fuel efficient modes. As a result, savings can be substantially less than predictions that ignore modal substitution.

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1 Introduction

Despite many years of declining emissions, recent estimates suggest US carbon dioxide emissions are on the rise. This reversal is due in large part to increases in energy consumption and emissions from transportation. Transportation has recently surpassed electricity generation as the largest source of US carbon dioxide emissions ([U.S. Energy Information Administration, 2018](#)). While improvements in light-duty vehicle fuel economy have helped to offset increases in driving, freight-sector emissions have increased substantially over the past several years. As a result, freight now represents approximately a third of transportation sector energy consumption and emissions. Despite these trends, relatively little attention has been paid to understanding factors that affect emissions from freight. This fact is particularly striking in contrast to the vast literature related to passenger vehicles.

We exploit newly available micro data on goods movement in the US to model shippers' freight mode choices during 2012. The data contain detailed information on the type of good shipped, shipment characteristics and the mode used for each movement. Energy intensities across modes such as air, truck and rail differ by an order of magnitude. Therefore, understanding how shippers choose which mode to use and how changes in fuel prices and shipment characteristics affect these choices has important implications for energy policy. We model cost-minimizing shippers who trade-off freight rates, that vary with fuel prices, against inventory costs, that reflect the average speeds of different freight modes. We estimate a series of discrete choice models for freight mode choice allowing rate, inventory and fixed cost parameters to vary across the type of good shipped. Using our parameter estimates, we first simulate mode choices, fuel use and emissions under different fuel price scenarios. We find higher fuel prices yield substantial shifts from less to more fuel efficient modes, particularly rail. For instance, a 10% increase in fuel price increases rail ton miles by 2.3% and reduces truck ton miles by 2.3%. Combined, this translates to a 1.6% decrease in freight sector fuel consumption and emissions. In some goods categories reductions can be as large as 3 to 4%. The largest effects are for intermediate-sized shipments of moderately-valued goods such as paper products, alcohol, fertilizers and chemicals. Because our approach focuses on short-run responses, these estimates are likely a lower bound on actual emissions reductions

due to modal substitution.

Next, we simulate fuel and emissions reductions under a carbon tax. We estimate marginal abatement cost curves by varying the level of the tax, predicting shippers' mode choices and calculating fuel use and emissions. Summing across goods yields an aggregate marginal abatement cost curve. A carbon price of \$50/MT CO₂ reduces emissions by approximately 3.25 MMT (2%). A carbon price of \$100/MT CO₂ reduces emissions by approximately 6.25 MMT (3.8%). While our short-run estimates are likely a lower bound for actual emissions reductions under a carbon price, they are substantially lower than near-term estimates for other sectors such as electricity and passenger vehicles.¹ For instance, [Cullen and Mansur \(2017\)](#) estimate electricity generators lower emissions by 10% or approximately 200 MMT, in response to a carbon price of \$70/MT CO₂. [Holland et al. \(2015\)](#) find a tax of approximately \$41/MT CO₂ would lower emission by approximately 165 MMT (10%).

Ignoring shippers' mode choices can lead policy makers to draw the wrong conclusions about transportation sector carbon policies. We illustrate the problem by considering hypothetical heavy duty vehicle fuel economy standards that approximate recent U.S. policies. Because shippers' mode choices implicitly depend on the fuel intensities of different modes via rates, policies to improve truck fuel economy could have the perverse effect of shifting freight from more efficient to less efficient modes. Intuitively, if truck fuel economy improves, marginal shippers who previously paid lower rail rates but higher inventory costs may now shift to truck. Because rail is four times more fuel efficient than truck, these shifts increase fuel consumption and emissions of those shipments. We adapt our modeling framework to investigate this issue by imposing mode-specific mean fuel intensities and estimating a mixed-logit model for mode choice. We first verify this approach yields predictions consistent with our base model. Then, we use the model to simulate shippers' mode choices under a fuel economy standard that lowers truck energy intensity by 5 percent. This level corresponds to EPA estimates for the improvement in truck fleet fuel efficiency in 2025 due to the recently enacted Tier II heavy duty vehicle fuel efficiency standards.

Truck fuel economy regulations result in modest shifts from rail to truck, approximately

¹This is because we hold both shipments and infrastructure fixed.

1.3% of rail freight output (ton-miles). However, these shifts dramatically reduce fuel and emissions savings from fuel economy regulations. Ignoring modal substitution and applying a 5% reduction in truck fuel intensity suggests fuel economy regulations lower total freight sector fuel consumption and emissions by approximately 4%. However, once we account for shipments that switch from truck to rail, the estimated reduction falls by 22% to only 3.1% overall. We think of this effect as a “cross-rebound effect” whereby changes in prices across modes cause substitution to less efficient modes, reducing potential energy savings. The effects vary substantially across the types of goods shipped. For some goods, such as animals and precision instruments, more efficient trucks lead to larger than expected emissions reductions by enticing some shipments that previously went by air to move instead by truck. However for paper products, alcohol, fertilizers and chemicals, predicted reductions are about half as large as estimates ignoring modal substitution. These results highlight a new and potentially important type of rebound effect, whereby reducing the cost of truck services via energy efficiency increases truck consumption and overall freight energy use.

Our work contributes to three main literatures. First, we add to the large economics and engineering literatures modeling freight demand going back decades.² While this literature has established the main trade-offs faced by shippers in deciding how to move their goods, major industry changes over the past several decades have likely shifted these relationships.

²This literature is generally divided into aggregate and disaggregate studies (Winston, 1985), where the former focus on estimating modal shares and the later on modeling individual or representative shipments. Examples of aggregate models include Friedlaender and Spady (1980) and Oum (1979), who model freight demand of cost-minimizing firms. Disaggregate data from surveys and waybills has led to the development of richer behavioral models that focus on shipment and shipper characteristics as well as the geography of freight transportation. Winston (1981) develops an early model using disaggregate data and estimates demand elasticities for rates, mean travel times and service quality for different commodity groups. Wilson, Wilson, and Koo (1988) model competition between rail and truck for grain shipments in the US Upper Great Plains to investigate rail market power and pricing around the time of deregulation. Rich, Holmblad, and Hansen (2009) use a weighted discrete choice framework to estimate shippers’ value of time for different modes and commodity groups. Norojono and Young (2003) use stated preference data to understand how factors related to service quality such as safety and reliability affect mode choice. Similarly, Wilson, Bisson, and Kobia (1986) use survey data to explore how shipment and shipper characteristics affect mode choice for general freight in Canada. Jiang, Johnson, and Calzada (1999) model for-hire and private freight shipping in France using a nested logit approach. Abdelwahab and Sargious (1992), Abdelwahab (1998), Holguin-Veras (2002) and McFadden, Winston, and Boersch-Supan (1985) model freight mode choice allowing shippers to simultaneously choose shipment size. Train and Wilson (2007) model shipments by rail and barge, where geography limits shippers’ access to these modes. Arunotayanun and Polak (2011) and Greene and Hensher (2003) employ latent class and mixed-logit approaches to relax assumptions of the multinomial logit models typically used with disaggregate data and to allow for heterogeneity in shippers’ preferences.

For example, computerization and improvements in information technology have reduced shipping costs, enabled realtime tracking, and improved service quality, particularly for trucking. Containerization has increased intermodal shipments that combine water, rail and truck modes. Major investments in infrastructure have made railroads more competitive with trucks on long-haul shipments of containerized freight. Here, we estimate parameters that reflect these changes and describe how shippers' choose modes today.

Second, we contribute to the large literature on energy prices and carbon policy in the transportation sector. This literature has largely focused on passenger vehicles that make up about 60 percent of transportation-related fuel use and emissions.³ However, for the reasons noted above, understanding the role of freight transportation in emissions and energy consumption is increasingly important. While there is a literature exploring the environmental characteristics of freight in international trade, less is known about domestic goods movement.⁴ The main focus of US research to date has been on engineering estimates for emissions characteristics of different modes or future technologies. One exception related to what we present here, is [Nealer, Matthews, and Hendrickson \(2012\)](#) who use the 2002 CFS aggregate files to predict fuel and emissions reductions under different policy scenarios. However, their approach uses an input-output framework based on elasticities of substitution across modes for different goods. Here, we more realistically model the mode choice decisions of shippers using detailed micro data from the CFS PUM.

Third, we highlight a mechanism similar to the “rebound” or “backfire” effect in the energy economics literature whereby increases in efficiency lower operating costs of durable goods and increase intensity of use. These effects negate some of the benefits of energy efficiency in reducing overall energy consumption ([Borenstein, 2015](#); [Gillingham, Rapson,](#)

³For instance, [Goulder, Jacobsen, and Van Benthem \(2012\)](#) explore the effectiveness of incomplete regulation of automobile fuel economy. [Anderson et al. \(2011\)](#) explore the efficiency of different automobile fuel economy regulations. [Jacobsen and Van Benthem \(2015\)](#) investigate the role of vehicle scrappage in emissions leakage under vehicle fuel economy standards. [Austin and Dinan \(2005\)](#) and [Anderson and Sallee \(2016\)](#) compare the costs of reducing automobile fuel consumption under fuel economy standards and a gasoline tax. [Klier and Linn \(2013\)](#) and [Busse, Knittel, and Zettelmeyer \(2013\)](#) investigate the relationship between fuel prices and new vehicle fuel economy.

⁴For instance, [Shapiro \(2016\)](#) investigates the efficiency and distributional effect of international trade and a carbon tax on shipping. [Cristea et al. \(2013\)](#) estimate emissions due to freight transport in international trade and compare with manufacturing emissions.

and Wagner, 2016) Here we show how improvements in energy efficiency of one portion of the freight sector can lead to substitution away from more efficient modes, partially offsetting gains from energy efficiency, via a “cross-rebound” effect.

Overall, our work highlights the important role of mode choice in freight sector energy use and emissions. The remainder of the paper proceeds as follows. Section 2 describes the US freight transportation sector and Section 3 describes our data. Section 4 describes our empirical approach and Sections 5 and 7 present our analysis of carbon taxes and truck fuel economy standards. Finally, Section 8 concludes.

2 Industry background

The US freight sector is large and contributes substantially to US carbon emissions. Domestic freight and goods movement contributes approximately 4% to U.S. GDP (Bureau of Transportation Statistics, 2018). Total transportation sector carbon emissions were 1,900 MMT in 2017, surpassing electricity sector emissions (U.S. Energy Information Administration, 2018). Freight’s share of transportation carbon emissions is approximately 31%.⁵ However unlike passenger vehicles, where fuel economy improvements have largely offset demand growth, freight emissions have grown by 13% since the Great Recession.⁶

Domestic freight is shipped by a number of different modes including air, truck, rail, barge, ship, pipeline and parcel/courier.⁷ Truck shipments represent approximately 42% of total ton miles. Rail, including shipments that combine truck and rail service, accounts for approximately 45% of ton miles. Inland water (barge) share, including shipments that combine water with truck and rail service, is approximately 7%. Finally, air and parcel/courier service account for about 0.2% and 1%, respectively (United States Census Bureau, 2018b). In terms of shipment value, truck share of total shipment value is approximately 73%, compared to 5% for rail, 3% for air, 1.7% for barge and 14.2% for parcel/courier.

⁵Authors’ calculations using data from Oak Ridge National Laboratory (2018).

⁶Whereas emissions from passenger vehicles have grown by approximately 5% based on authors’ calculations using data from U.S. Energy Information Administration (2018).

⁷In the Commodity Flow Survey parcel/courier include shipments of letters or small packages weighing less than 100 lbs. including deliveries made by the US Postal Service.

These shares reflect the substantially different rates, accessibility, speeds, and vehicle capacities across modes. Further, the modes also have vastly different fuel intensities. For instance, while rail can move one ton of freight approximately 450 miles on a gallon of fuel, trucks produce approximately 70 ton miles per gallon and air a little over 0.1 ton miles per gallon. Therefore, shippers' mode choices have large implications for emissions and fuel consumption.

The US freight sector is composed primarily of independent companies who provide transportation of raw materials, intermediate and final goods between producers and final goods consumers. While some manufacturers, mining and agricultural firms move products short distances using privately-owned trucks, the vast majority of shipments move using for-hire carriers.⁸ Rates and the use of private contracts versus public tariffs vary by mode and the type of good shipped. In recent years, freight carriers have also instituted fuel surcharge programs whereby total shipping charges include an additional fee indexed to diesel prices creating a mechanism for rates to move up and down with changes in fuel costs.⁹

Parts of the US freight industry have undergone substantial changes over the last several decades. Increased containerization, has reduced costs and losses. It has also enabled intermodal transportation whereby individual shipments travel by different modes.¹⁰ In the trucking sector, widespread adoption of information and communication technologies have increased service quality and lowered costs through realtime tracking and just-in-time inventory practices. Rail abandonment and consolidation after deregulation in the 1980s eliminated service to some shippers. On the other hand, railroads have made major investments in intermodal terminals, upgraded tunnels and track to compete with the trucking sector on longer distance shipments ([Association of American Railroads, 2018](#)).

Finally, the US has recently enacted regulations requiring substantial fuel economy improvements in the trucking sector. In 2011, the US EPA released greenhouse gas and fuel

⁸Private trucks account for approximately 12% of total truck ton-miles ([United States Census Bureau, 2018b](#)). Because private and for hire fleets have similar fuel intensities our analysis below combines both trucking segments into a single mode.

⁹For example, see [Union Pacific Railroad \(2019\)](#) and [YRC Freight \(2019\)](#).

¹⁰For instance imports that arrive by sea may travel across the country by rail to lower fuel and labor costs but may be delivered to final destinations by truck.

economy standards for medium and heavy duty trucks produced during the 2014-2018 model years. In August 2016, EPA released phase II standards for trucks produced through the 2027 model years. The standards target vehicle, engine and trailer technologies for improving truck fuel efficiency. The US EPA predicts the phase II standards will improve new truck tractor fuel efficiency 11% to 14% by 2021 and 19% to 25% by 2027. Standards related to trailers are expected to improve fuel efficiency by as much as 9% by 2027 ([U.S. Environmental Protection Agency, 2016](#)). Because new tractor-trailers are incorporated over time as the fleet turns over, EPA estimates that by 2025 the average fuel intensity across the tractor-trailer fleet will fall by approximately 5% to 6% relative to business as usual.¹¹

3 Data

We exploit detailed shipment-level data on freight movements from the US Commodity Flow Survey Public Use Microdata (CFS PUM) file ([United States Census Bureau, 2012](#)). The CFS PUM contains administrative data on a sample of approximately 4.5 million shipments that occurred within the US during 2012. The data contain shipment characteristics including the type of good shipped at the Standard Classification of Transported Goods (SCTG) 2-digit level, shipment value, shipment distance, and shipment weight. Also reported are shipment mode or modes (e.g. rail, barge, air, truck, etc. or multiple modes, *i.e.* truck and rail), origin and destination locations at the state or regional level, the quarter during which the shipment occurred, whether the shipment was temperature-controlled, and sampling weights used to expand the sample to approximate the 2012 shipment population.¹² We observe 34 different SCTG commodity groups and several different modes.¹³ Our analysis focuses on the major modes, air, truck, rail and inland water, for each commodity group. We aggregate mixed modes, *i.e.* truck and rail, and truck and barge, into the main modes,

¹¹Our simulations below use 5% as the average effect of truck fuel efficiency standards.

¹²Regional location data for shipment origins and destinations are reported at the Combined Statistical Area (CSA) level, when available, or at the Metropolitan Statistical Area (MSA) level. The Census Bureau removes firm-level data and identifying information to protect shipper and transportation company confidentiality.

¹³While prior studies using disaggregate data had much more information on shipment and shipper characteristics, we observe many more shipments for more types of goods than in earlier studies.

rail and barge.¹⁴

Table 1 summarizes shipment characteristics in the CFS PUM sample. The top panel expands the sample using the CFS PUM sampling weights, but is otherwise unweighted. The bottom panel reports summary statistics weighted by shipment size in ton-miles.¹⁵ The maximum value of goods shipped is approximately \$520 million. Maximum shipment distance is approximately 6,700 miles and maximum shipment weight is approximately 140,000 tons. The two sets of summary statistics diverge due to the large number of small parcel and courier shipments in the CFS PUM sample. Therefore, mean shipment value is approximately \$1,400 in the unweighted sample but increases to \$415,000 when weighted. Similarly, mean shipment distance and weight are approximately 620 miles and 1.1 tons in the unweighted sample and 1,090 miles and 5,070 tons in the weighted sample.

The bottom of each panel shows modal shares in the weighted and unweighted samples.¹⁶ Truck and parcel/courier represent 44% and 54% of shipments in the CFS PUM sample. However in terms of shipment size, parcel/courier is relatively less important than the other modes. Accounting for shipment size, rail (48%), truck (46%) and water (4%) account for over 98 percent of freight output. Pipeline accounts for approximately 1% of shipments. However, modal substitution to pipeline is limited in the short-run due to fixed infrastructure. Air represents approximately 0.2% of freight output, while parcel/courier represents approximately 0.8%. We exclude pipeline and parcel/courier shipments from our analysis below because shipments using these modes have substantially different characteristics than those made on other modes and because pipeline and parcel/courier constitute a small share of total freight ton-miles.

The mean characteristics of shipments vary substantially by the type of good being shipped. Table 2 summaries ton-mile weighted-average shipment characteristics for a number

¹⁴Train and Wilson (2007) show how the combined modes can be modeled as the main modes plus an access cost that varies with distance, if any, of truck transport required to access a port or rail siding.

¹⁵While the unweighted sample illustrates important features of the CFS PUM, weighting by shipment-size is the more policy relevant metric since energy use and emissions are (roughly) proportional to shipment size in ton-miles.

¹⁶The “truck” mode combines shipments using private and for-hire trucks. Mixed modes, *e.g.* truck-rail and truck-inland water are classified as rail and barge shipments, *i.e.* truck is used to connect origins and destinations to the rail or barge service.

of different SCTG categories. The first three columns show shipment value in dollars per pound, distance in miles and weight in tons. The remaining columns show ton-mile weighted-average modal shares for major freight modes within the CFS PUM. Mean shipment value per pound varies from approximately \$0.01 per pound for coal to nearly \$25 per pound for pharmaceuticals. Mean shipment distances vary from approximately 450 miles for fuel oil to nearly 1,500 miles for pharmaceuticals. Mean shipment weights vary from about 9 tons for pharmaceuticals to over 17,000 tons for coal and over 30,000 tons for metallic ores.

The modal shares shown in Table 2 highlight important trends in how different types of freight shipments move within the US. Higher value goods such as pharmaceuticals, mixed freight and machinery travel mainly by faster modes such as air and truck. Lower value goods tend to travel via slower more fuel efficient modes, such as rail and water, particularly when shipment distances are large. For example, rail and water modal shares are relatively high for metallic ores, grain, coal and basic chemicals. These trends are further highlighted in Figure 1 where we plot the mean shipment value per pound against shipment size in ton miles for different transportation modes. We see air and truck shipments tend to be smaller, higher value shipments. On the other hand, pipeline, rail and water shipments tend to be larger shipments of lower value goods. These trends are consistent with the large literature on freight mode choice.¹⁷

Importantly for our empirical strategy below, these trends hide important variation in shipment size, value and mode choice across shipments. For instance, Figure 2 plots mode shares for grain shipments by the deciles of shipment size in ton miles. We see smaller shipments are made almost exclusively by truck. However after the sixth decile, the share of shipments made by rail and barge grows. For the largest shipments, in the tenth decile, nearly all grain shipments are made by rail, with less than 10% of shipments made by truck. Other commodity groups show similar trends, namely that within a particular good category, larger shipments tend to travel by different modes than smaller shipments. Similarly, if value per pound varies within a commodity group, higher value shipments tend to travel on different

¹⁷For instance, Oum (1979) finds that while truck dominates short shipments of high-value goods, rail is competitive for longer shipments of these goods and dominates shorter shipments of low-value goods. These trends between shipment characteristics and modes have been highlighted by many other authors as well going back to Meyer et al. (1959), if not earlier.

modes than lower value shipments.

Finally, to understand the role of fuel prices in mode choice we collect US national monthly average prices for No. 2 diesel fuel from the [U.S. Energy Information Administration \(2017\)](#). We collapse the monthly data to quarterly to match the CFS PUM frequency. Rail, truck and inland water modes all operate primarily on diesel. Air shipments use jet fuel. However, our empirical approach below relies on having a single metric for fuel price. We use diesel because it is the primary fuel for the vast majority of shipments. This assumption is relatively weak as there is little fuel price variation during 2012, quarterly diesel prices vary by only 8 cents over the year.

4 Shippers' mode choices

Because our shipment data are limited to 2012, and because there is relatively little fuel price variation during that year, our empirical model exploits cross-sectional variation in shipment value and size to estimate the relationships that predict shippers' mode choices. Follows classic models for freight mode choice ([Friedlaender and Spady, 1980, 1981](#); [Levin, 1978](#); [Meyer et al., 1959](#); [Winston, 1981](#)), we assume shippers choose modes to minimize the sum of freight rate, inventory cost and mode-specific fixed cost.¹⁸ Specifically, the cost of shipment i by mode j can be written as:

$$cost_{ij} = \underbrace{\gamma_j \eta_j P_t \times tonmiles_i}_{\text{Rate}} + \underbrace{1/\sigma_j miles_i \times r \times value_i}_{\text{Inventory Cost}} + \underbrace{\delta_j}_{\text{Fixed Cost}} \quad (1)$$

where the first term captures freight rate, the second term represents inventory cost and the final term is mode-specific fixed-cost δ_j . We assume freight rates depend on transportation companies' fuel expenditures and are marked up proportionally at rate γ_j . Fuel expenditure is the product of fuel price (P_t) and fuel consumption ($\eta_j \times tonmiles_i$), where η_j is the mode-specific fuel intensity and $tonmiles_i$ is the size of shipment i . Inventory cost captures the time cost of goods in transit and depends on the shipment distance ($miles_i$), mode-specific

¹⁸We assume shippers' ultimate revenue does not vary by shipment mode such that cost minimization is consistent with profit maximization.

speed ($\frac{1}{\sigma_j}$) and the value of time ($r \times value_i$), where $value_i$ is the *total* value of goods in the shipment. For goods that move by inland water, we allow mode-specific fixed cost to vary according to whether the shipment originates in the Mississippi River Basin via incremental fixed cost (δ_j^m). For goods that require temperature-controlled storage during transportation, we allow for incremental inventory cost (δ_j^{tc}).

Our approach is explicitly short-run in that we assume transportation infrastructure is fixed. Further, we take shipment size as exogenous, *i.e.*, shippers first decide on the quantity of goods to ship and then pick the cost-minimizing mode. That said, we do not restrict possible modes based on shipment size and mode-specific vehicle capacities. In other words, in both our model and data, a single large shipment could potentially travel in one barge, several rail cars or many truck trailers.

In practice, we estimate a reduced form of Equation 1 by replacing the individual unobserved rate and inventory cost parameters with coefficients to be estimated according to:

$$cost_{ij} = \alpha_{cj} P_t \times tonmiles_i + \beta_{cj} miles_i \times value_i + \delta_{cj} + \epsilon_{ij} \quad (2)$$

Because shipment characteristics, *e.g.* distance, for alternate modes is unobserved, we estimate Equation 2 as a multinomial logit.¹⁹ The mode choice parameters are identified by cross-sectional variation in shipment characteristics and (limited) time-series variation in fuel prices. Because markups, fuel intensities, mode speeds, values of time and fixed costs vary by the type of good shipped, we estimate Equation 2 separately for each SCTG c .

To investigate how well our model captures the behavior of shippers observed in the CFS PUMS we simulate 500 mode choices for each shipment by taking the value of the latent variable and bootstrapping the extreme value error term. We assume shippers choose the mode with the highest predicted probability. Table 3 presents the total ton-miles transported by mode for each SCTG. Beside the CFS data we present the mean ton-miles by mode and SCTG averaged across our simulations. We see that the mean predicted values match the CFS totals extremely well. For trucks, the predicted ton-miles across SCTG's are within

¹⁹In other words, we lack alternative-specific data.

0.2% of the CFS totals for all goods. For rail, water and air, the predicted totals are within 2.5% (textiles), 0.9% (waste and scrap), 0.7% (machinery) and 0.5% (agricultural products). For other SCTG's, the predicted totals are within .1% or less of the CFS values. We over-predict mode shares for some goods and under-predict for others. For instance, relative to the CFS we predict somewhat higher barge shares for agricultural products and basic chemicals, but lower shares for grain and fertilizers. Overall, we do not perceive a systematic bias in our estimates. Summing up across SCTGs, the predicted mode totals are within 0.01% to 0.2% of the CFS totals. Overall, these results suggest our model provides as good fit to the aggregate patterns in the data.

Next, we explore how fuel prices affect mode choice on the margin. In Equation 2, α_{cj} captures how changes in fuel costs affect the probability mode j is selected. Therefore, we can use our estimates of α_{cj} to understand how changes in fuel prices, *e.g.* oil market volatility or carbon pricing, impact shippers' mode choices. Because space limitations prevent us from presenting results for every SCTG, we illustrate our approach using results for several representative goods. Other SCTGs exhibit similar modal substitution patterns, though the specific ranges depend on characteristics of those goods.

Table 4 presents average marginal effects of a change in diesel fuel price for different bins of grain shipment size, on the left, and coal shipment size, on the right. The columns show the effects by mode. The first column shows the effect on truck mode choice probability. The second and third columns show effects for rail and inland water and so on. We begin by looking at grain shipments. For small shipments, 10,000 ton miles, an increase in fuel price is associated with a small decrease in the probability truck is used and a small increase in the probability rail is selected. Similarly for large shipments, 70,000 or 80,000 ton miles, an increase in fuel price leads to a small decrease in the probability truck is used and a small increase in the probability rail is selected. However, for intermediate sized shipments, higher fuel prices are associated with large changes in mode choice probabilities. For shipments of 30,000 to 40,000 ton miles, a one dollar increase in diesel price is associated with a 22 to 25 percentage point decrease in the probability truck is used and a 22 to 24 percentage point increase in the probability the shipment moves by rail. There is also a small increase in the

probability inland water is selected.

This suggests there is a range of grain shipment size where truck and rail are close substitutes. We see this visually in Figure 3 that plots the fitted mode choice probabilities for grain shipments by truck, rail and inland water. The points above the truck curve and below the rail curve for small shipments correspond to relatively high value goods that tend to travel by faster modes, all else equal, consistent with the overall patterns described previously. The gray markers show fitted mode choice probabilities for 2012 fuel prices. The colored markers show estimates assuming a 25 percent increase in fuel prices. For small shipments, the probability grain moves by truck is nearly one. For large shipments, the rail probability approaches one. However for intermediate-sized shipments, the fitted probabilities for truck and rail are roughly equal. Increasing fuel price increases the likelihood rail is selected and decreases the likelihood truck is selected, shifting both curves to the left.

Looking at coal shipments, the righthand side of Table 4 shows marginal effects of a fuel price increase for shipment sizes ranging from 60,000 to 200,000 ton miles. This range corresponds to small coal shipments where truck is competitive with rail and barge. For shipments ranging from 140,000 ton-miles to 180,000 ton miles, a one dollar increase in diesel price is associated with an approximately 20 percentage point decrease in the probability truck is used but a 14 percentage point increase in the probability the shipment moves by rail and a 6 to 7 percentage point increase in the probability it moves by barge. However for large coal shipments, rail and barge are the preferred modes and fuel price changes have more modest effects on mode choice probabilities. We see this in Figure 4, which plots the fitted mode choice probabilities for coal shipments at 2012 prices, again in gray, against probabilities with a 25% increase in fuel price. Truck share is essentially zero for shipments over several hundred thousand ton miles. The probability rail is selected grows from about 70% for shipments of several hundred thousand ton miles to over 80% for shipments of 6 million ton-miles. Barge shipments make up the difference and decline as shipment size increases. This feature is likely a consequence of geographic factors where the maximum distance of barge shipments is limited by navigable waterways in the eastern US. While fuel price increase shift coal shipments to more efficient modes at smaller shipment sizes, for

large shipments, fuel price increases lead to small shifts from barge to rail. Since these larger shipments are more energy intensive, overall we expect relatively modest reductions in fuel consumption and emissions from fuel price changes in coal transportation.

Next, we look at two relatively higher value commodity groups, alcohol and precision instruments. Truck is the dominant mode for shipments of both these goods. However, a large share of alcohol moves by rail. Air is a competitive mode for some shipments of precision instruments. Table 5 shows the marginal effects of fuel price changes for these modes over a range of shipment sizes. For alcohol shipments of around 60,000 ton miles the probabilities truck or rail are selected is approximately equal. In this range of shipment size, changes in fuel price have a very large impact on mode choice probabilities. For shipments of 60,000 to 80,000 ton-miles, a one dollar increase in diesel price is associated with a 32 to 51 percentage point increase in the probability rail is selected. Shipments in this range are a mix of beverages, that are small in terms of tons but travel long distances, often 2000 miles, and fuel ethanol shipments that can be several hundred tons but travel shorter distances. As shipment sizes grow larger, rail dominates and fuel price changes have little effect on mode choice. These shipments are primarily fuel ethanol produced in the midwest and shipped by rail to East Coast and West Coast destinations. The large marginal effects for rail and truck, and the relatively large shipment sizes, suggest fuel price changes will lead to large shifts in fuel consumption and emissions.

In contrast, mode choices for shipments of precision instruments are relatively insensitive to changes in fuel price. There is a large range of good values within this SCTG. This fact, combined with the large difference in average speed between truck and air, suggests many shipments are well suited to one mode and the alternative is a poor substitute. For instance, the mean value of precision instruments shipped by air is approximately \$700 per pound versus \$200 per pound for precision instruments shipped by truck. This is in contrast to a good like grain where the mean value of goods shipped by truck is \$0.32 per pound versus \$0.14 per pound for grain shipped by rail. We see further evidence that truck and rail are poor substitutes on the righthand side of Table 5. The largest marginal effects occur for shipments around 1,000 to 2,000 ton miles in size. Here, a one dollar increase in diesel price

is associated with a 2 percentage point increase in the likelihood truck is selected over air. Overall, the small marginal effects and small shipment sizes suggest fuel price changes will have modest effects on fuel consumption and emissions.

Overall, these representative goods highlight the types of mode choice behavior we observe in the CFS PUM. The mode choice probabilities for other goods exhibit similar patterns, though the specific ranges and responses depend on the characteristics of individual goods and shipments. Our results below summarize aggregate effects for the different SCTGs in the sample as well as the overall effects of fuel price changes.

5 Fuel and carbon taxes

To understand the potential for fuel and emissions reductions, we use our parameter estimates from the CFS PUM data to simulate mode choices under several fuel price scenarios, again employing the bootstrapping procedure outlined above. Then, for each shipment we calculate fuel consumption and emissions from shipment size, in ton miles, and the fuel intensity of the predicted mode.²⁰ We repeat this procedure for several fuel price scenarios. Table 6 summarizes total ton miles, fuel consumption and emissions across the different scenarios, averaged over the simulated mode choice experiments. Consistent with the marginal effects discussed previously, higher fuel prices increase the share of shipments made by rail and decrease truck share. This modal substitution yields substantial reductions in fuel use and emissions.

Under the business as usual scenario, using 2012 fuel prices, rail output is approximately 1.28 trillion ton miles while truck output is approximately 1.12 trillion ton miles. Total fuel consumption is approximately 16.4 billion gallons and total emissions are 167 million metric tons of carbon dioxide. A 10% increase in fuel price increases rail ton miles to approximately

²⁰For rail we assume a fuel intensity of 1/450 gallon per ton mile consistent with [Oak Ridge National Laboratory \(2018\)](#) and [Association of American Railroads \(2019\)](#). There is more uncertainty about the real world energy intensity of freight movements by heavy duty truck, air and barge. We use 1/85 gallon per ton mile for truck ([Cristea et al., 2013](#); [U.S. Environmental Projection Agency, 2016](#)), 1/7.5 gallon per ton mile for air consistent with [Cristea et al. \(2013\)](#) and 1/600 gallon per ton mile for barge ([Kruse, Warner, and Olson, 2017](#)).

1.30 trillion and lowers truck ton miles to approximately 1.09 trillion. This shift lowers fuel consumption and carbon emissions by approximately 1.6%. Similarly, larger fuel price increases of 25%, 50% and 100%, lower fuel consumption by 3.7, 6.9 and 12.1%, respectively. A doubling of fuel price increases rail's share of ton-miles from approximately half to nearly 60 percent.

The magnitude of fuel and emissions reductions vary across the types of goods shipped. Figure 4 shows the percentage reduction in carbon emissions by SCTG for a 10% increase in fuel price. Panel (a) plots the percentage reduction against shipment value in dollars per pound. Panel (b) plots the percentage reduction against shipment size in ton miles. The relationship between value and carbon reduction has an inverted u-shape. Reductions peak between 2.5 and 3.5 percent for pulp, newsprint, paper and paperboard; alcohol; basic chemicals; and milled grain, each with a mean value of approximately one dollar per pound.²¹ Emissions decrease sharply for lower-valued goods and somewhat more flatly for higher-valued goods. Similarly, in panel (b), emissions reductions peak for goods with mean shipment sizes of several thousand ton miles. Overall, this suggests moderately-valued goods traveling intermediate distances show the greatest potential for truck to rail switching and hence fuel use and emissions reductions.

Finally, we construct marginal abatement cost curves by simulating mode choices and carbon emissions reductions for incremental carbon taxes up to \$100 per MT CO₂. We assume the tax is levied upstream and is fully passed through to transportation firms.²² Figure 6 shows marginal abatement cost (MAC) curves for several representative SCTGs, panel (a), and the aggregate MAC curve, panel (b). Over this range of taxes, the marginal abatement cost curve is approximately linear, a tax of \$50/MT CO₂ yields approximately 3.25 MMT while a tax of \$100/MT CO₂ produces approximately 6.25 MMT of abatement. As before, the curves for individual SCTGs reveal interesting heterogeneity. The curves for coal and grain are quite steep owing to the fact the largest, and therefore most carbon intensive shipments of these goods already travel by rail. Similarly, the curve for precision

²¹Emissions for shipments of animals fall by approximately 12.5%, but are omitted to simplify these figures.

²²Recent work by [Marion and Muehlegger \(2011\)](#) shows that while the pass-through rate of a diesel fuel tax depends on market conditions, on average the rate is approximately one. We use 10.16 kg CO₂ per gallon as the carbon intensity of diesel fuel.

instruments is steep as fuel price increases are insufficient to outweigh the high inventory costs these high-value goods would incur if switched from truck to rail. A tax of \$50/MT CO₂ yields reductions less than 0.05 MMT in each case. Basic chemicals, prepared foodstuffs and primary base metals are moderately less steep. A tax of \$50/MT CO₂ yields abatement of approximately 0.25 to 0.50 MMT in each case.

Because our estimates focus on one specific margin of abatement, it is difficult to compare our results to prior studies that allow for more general responses to carbon policy. Specifically, because we hold total shipments fixed, we ignore responses on the extensive margin. Further, the short-run nature of our analysis also holds current transportation infrastructure fixed. Therefore, it seems reasonable to interpret our estimates as an upper-bound on marginal abatement costs from mode shifting in the US freight sector. That said, comparisons with other sectors such as electricity and transportation fuels are useful in gauging the size of the effects reported here. For instance, [Cullen and Mansur \(2017\)](#) find a 10% or 200 MMT reduction in electricity sector emissions occurs with a carbon price of \$70 per MT CO₂. [Holland et al. \(2015\)](#) find a 10% or 165 MMT reduction in emissions from light-duty vehicle fuels occurs with a carbon price of \$41 per MT CO₂. These estimates suggest lower abatement costs in other sectors compared with mode shifts in freight transportation.

6 Alternative approach using aggregate data and alternate identification

Our parameter estimates above rely mainly on cross-sectional variation in shipment size. However, the policy scenarios we have in mind result from changes in fuel prices. While we argue both changes in shipment size and fuel price cause similar effects on shippers' incentives to use different modes, one may still be concerned fuel price changes lead to different substitution patterns than those coming from cross-sectional variation in shipment size. Further, longer run responses to fuel price changes may be different than those reported above. To explore the robustness of our main results to alternate identification, we exploit aggregate data from public tabulations of the 2002, 2007 and 2012 CFS surveys ([United](#)

States Census Bureau, 2018a).

The public CFS tabulations present a trade-off. This period provides substantial variation in fuel prices, which range from \$1.55 per gallon in 2002 to \$3.77 per gallon in 2012. However, the public tabulations only report modal totals by origin and destination state. In other words, we observe total tons, ton miles and value by mode and SCTG between Iowa to Illinois, for instance, but not individual shipments. A second limitation arises because the Census Bureau redacts a large number of observations in the public tabulations to protect shipper confidentiality. We suspect these missing observations are not randomly distributed, but instead disproportionately affect smaller or more concentration freight markets. In sum, the approach presented here gains variation in fuel prices but introduces the strong possibility of aggregation and selection bias.

Despite these limitations, the tabulated data allow us to test our main estimation strategy. Specifically, we estimate a model for cost-minimizing shippers analogous to Equation 2 above. However because the data are aggregate, we model modal shares for SCTGs transported between different geographic regions (Levin, 1978). Specifically, we estimate:

$$cpt_{rjt} = \alpha'_j P_t \times \overline{miles}_{rjt} + \beta'_j \overline{miles}_{rjt} \times vpt_{rjt} + \delta'_j + \epsilon_{rjt} \quad (3)$$

where \overline{miles}_{rjt} is the average shipment distance between origin and destination route r . Note that data aggregation requires a different interpretation of shippers' mode choice decisions. Here, we imagine shippers choose modes to minimize the *cost per ton* (cpt_{rjt}) of transporting a particular good along a given route r . This assumption is driven by the fact we only observe average shipment distances and total tons, ton miles and value. Conceptually, Equation 3 is the result of dividing Equation 2 by shipment tons and noting the data come from averages over a number of individual shipments.

We employ similar procedure to that described above, estimating Equation 3 separately for each commodity group, then simulating 500 mode choices by bootstrapping the error. Perhaps surprisingly, this approach yields estimates of the overall effects of fuel price increases in line with, though somewhat larger than, those presented previously. Table 7 presents modal shares, total fuel use and emissions for business as usual and different fuel price

scenarios. Note the fuel, emissions and ton miles totals are not directly comparable to those in Table 6 due to the missing observations discussed previously and the fact we pool observations across years. However, we see estimated fuel use and emissions reductions are comparable to those using the 2012 micro data and cross-sectional variation. A 10% increase in fuel price is associated with a 1.7% decrease in fuel use and emissions. Fuel price increases of 25, 50 and 100% are associated with reductions of 4.0, 7.7 and 14.0%, respectively. While we are hesitant to put too much emphasis on specific magnitudes, the somewhat larger estimated effects in the panel are consistent with longer-run responses to fuel price changes. More importantly, the fact different data and identifying variation yields results similar to those reported above supports our preferred estimation strategy.

7 Fuel economy standards

To illustrate the importance of shippers' mode choices in modeling transportation policies we analyze recently adopted heavy-duty truck fuel economy standards. The modal substitution patterns demonstrated above suggest a potentially perverse effect of fuel economy regulation. Improvements in truck fuel economy could shift some freight movements from more fuel-efficient rail transportation to less fuel-efficient trucks. Therefore, ignoring modal substitution could lead policy makers to the wrong conclusions about the effects of these standards.

Adapting the approach above to analyze the impact of truck fuel economy standards requires somewhat stronger assumptions. Because fuel economy standards change the fuel intensity of freight movements, we must first separate out the effect of fuel intensity from the rate term in Equation 2. Then, by varying truck fuel intensity, holding all other factors constant, we can predict mode choices, shares, fuel use and emissions. We rewrite Equation 2 as:

$$cost_{ij} = \gamma_j \eta_j P_t \times tonmiles_i + \beta_{cj} miles_i \times value_i + \delta_{cj} + \epsilon_{ij}. \quad (4)$$

Here, we use the same fuel intensities η_j as in the base model, discussed in footnote 20. Note also that we now have alternative-specific data ($\eta_j P_t \times tonmiles_i$) on fuel expenditures across

modes. However, shipment distances and values do not vary across modes. Therefore, we use a mixed-logit approach in estimating the parameters of Equation 4. We follow the same simulation approach described above, first estimating the parameters of Equation 4, then bootstrapping the error to yield 500 simulated mode choices for each shipment.

Table 8 compares the predicted modal shares using our mixed logit parameter estimates with the CFS PUM shares. As in Table 3 we present mean ton-miles across our simulations by SCTG. In general, the predictions match the CFS PUM shares fairly well. Predicted total truck ton miles are within .4% of the CFS PUM total and rail ton miles are within 3.4%. We over (under) predict truck (rail) ton miles for coal and mixed freight and under (over) predict truck (rail) share of miscellaneous manufactured goods. Unlike the multinomial logit model, the mixed logit systematically over-predicts barge ton-miles for a number of SCTGs including basic chemicals, coal, fertilizers and grain. As a result, we overestimate barge share and underestimate fuel use and carbon emissions in our baseline scenario. However, since we are mainly interested in how truck and rail shares change with improved truck fuel economy, and since barge is a poor substitute for most truck shipments, we do not see this as a major limitation of the mixed logit specification in the present application. That said, it is because of this limitation that we prefer the multinomial logit approach for our main results above.

To see the effect of fuel economy regulation we impose a 5 percent reduction in truck fuel intensity and use our estimates to simulate shippers' mode choices. We recalculate the latent value with the lower fuel intensity parameter and pick the most probable mode for each shipment and each error draw. We then compute fuel consumption and emissions in two cases. The first imposes the 5 percent reduction in truck fuel intensity but uses the business as usual mode choice predictions, *i.e.* assumes more fuel efficient trucks do not affect shippers' mode choices. The second imposes the 5 percent reduction in energy intensity and allows mode shares to adjust to changes in relative fuel efficiency. These results are shown in Table 9

Truck fuel economy regulation results in modest shifts from rail to truck, approximately 15.8 billion ton miles or approximately 1.3 percent of business-as-usual rail freight output. This means that while both rail and truck fuel consumption fall, by approximately 35 million

gallons for rail and 473 million gallons for truck, the reduction in truck fuel consumption is much smaller than predicted ignoring modal substitution. Without mode shifts, shown in the middle column of Table 9, truck fuel consumption would decrease by approximately 650 million gallons. The overall effect is significant. An estimate of the impact of a 5% reduction in truck fuel intensity that ignores modal substitution suggests a 4.0% reduction in freight sector fuel consumption and emissions. However, modal substitution from rail to truck erodes these gains substantially such that fuel consumption and emissions only fall by approximately 3.1%, 22% less than expected. We call the effect of mode shifts to less efficient transportation modes due to improved fuel efficiency the “cross-rebound effect” since it arises from changes in the relative prices across modes. The total rebound effect, incorporating indirect and macro economic effects (Gillingham, Rapson, and Wagner, 2016), could be substantially larger since the cross-rebound holds total freight activity and energy prices constant.²³

The effects are heterogenous across SCTGs depending on where truck and rail are better substitutes. Figure 7 plots the ratio of the actual reduction in fuel consumption and emissions with reductions when mode choices are held constant. To provide a sense of magnitudes, the size of each bubble represents business-as-usual emissions for that SCTG. We see that for many SCTGs, the actual fuel and emissions reductions are substantially less than expected. For pulp, newsprint paper and paperboard; basic chemicals; fertilizers; and alcohol, the actual emissions reductions are approximately half of what would be expected without modal substitution. Other prepared foodstuffs, grain, milled grain and sand only achieve about 60 to 70 percent of expected reductions. Many other SCTGs achieve only 80 to 90 percent of the expected reduction. Interestingly, air freight also responds to changes in truck fuel efficiency. As a result animals and precision instruments achieve larger than expected emissions reduction due to substitution from air freight to truck when truck fuel efficiency improves.

These results highlight the importance of considering shippers’ mode choice behavior in modeling the impacts of transportation sector energy and emissions policies. Similarly,

²³For instance, diesel price effects could be relatively large given truck’s large share of diesel consumption.

policies that affect speeds of different modes via urban traffic congestion or infrastructure improvements are also likely to affect mode choices through inventory costs. Overall, modal substitution has important implications for understanding the direct and indirect impacts of transportation sector policies.

8 Conclusions

Freight transportation represents a large and increasingly important share of US energy consumption and greenhouse gas emissions. Because energy intensities differ dramatically across freight modes, shippers' mode choice decisions have important implications for future energy and climate policies. Yet, compared with other sectors such as passenger vehicles or electricity, relatively little is known about this potential margin of abatement. This is especially true in light of recent changes to freight modes and infrastructure that likely affect how shippers choose modes.

Here, we exploit newly available shipment level data on millions of shipments that occurred in the US during 2012. We estimate a series of discrete choice models describing how changes in rates, via fuel prices, and inventory costs affect mode choice. We first document substantial variation in shipment size and value, both across goods and across shipments within a particular type of good. This heterogeneity, which has been largely absent in earlier studies using more aggregate data, means many shipments are likely to shift to more fuel efficient modes when fuel prices increase. Using our parameter estimates, we predict modest fuel price changes yield substantial reductions in fuel consumption and emissions. For instance across all the shipments we study, we find a 10% increase in fuel price is associated with a 1.6% decrease in fuel consumption and emissions. In some goods categories, the emissions reductions can be two to three times larger. These results are robust to an alternate approach using more aggregate data but with more meaningful time series variation in fuel prices. If anything, the estimates using public tabulations of the CFS yield larger estimated emissions reductions than those using shipment-level data from the 2012 CFS PUM. This fact is likely due to longer run responses to fuel price changes captured in the public tabulations over a

period of 10 years from 2002 to 2012.

While the effects we document are substantial, they come at a higher cost than in other sectors. We estimate the marginal abatement cost of CO₂ from freight mode shifts and find emissions reductions are lower and more costly compared with recent estimates from electricity and transportation fuels. That said, because our main estimates focus only on the mode choice margin and rely on short-run data, our results can reasonably be viewed as an upper bound on the marginal abatement cost in freight transportation.

Finally, we use the recent example of heavy-duty vehicle fuel economy regulations to highlight how ignoring mode choice can lead policy makers to the wrong conclusions about transportation policies. In our example, policies that improve the fuel economy of trucks can cause some shipments that would have traveled by more efficient rail transport to instead travel by truck. We show how an analysis of truck fuel economy standards that ignores this mechanism can substantially overstate fuel and emissions savings. Our model suggests policies that change the relative speeds of modes, for instance due to changes in traffic congestion, could lead to similar unanticipated consequences.

Overall, we demonstrate freight mode choice is an important mechanism for understanding responses to energy and climate policies. Our analysis highlights the benefits of using detailed micro-level data on a variety of goods to understand shippers' mode choices. The short-run analysis presented here provides valuable insight into these choices but likely represents a lower-bound on shippers' long-run responses to economic and policy changes in the US freight sector.

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Figures

Figure 1: Mean shipment value and size by mode.

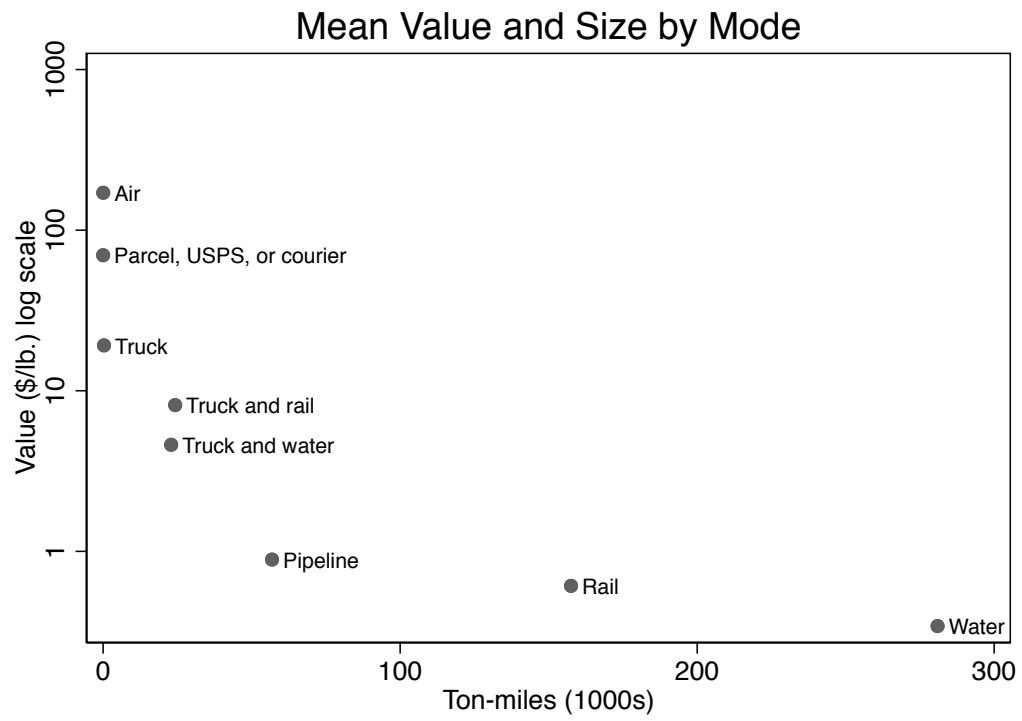


Figure 2: Grain mode shares by ton-mile decile.

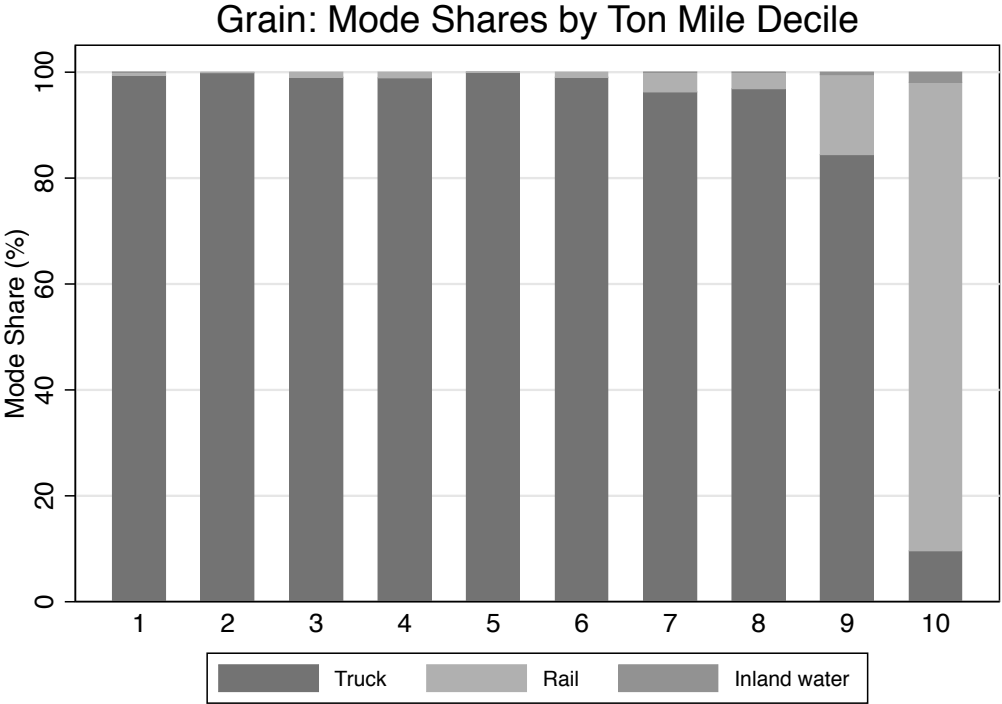


Figure 3: Grain mode shares by ton-mile decile.

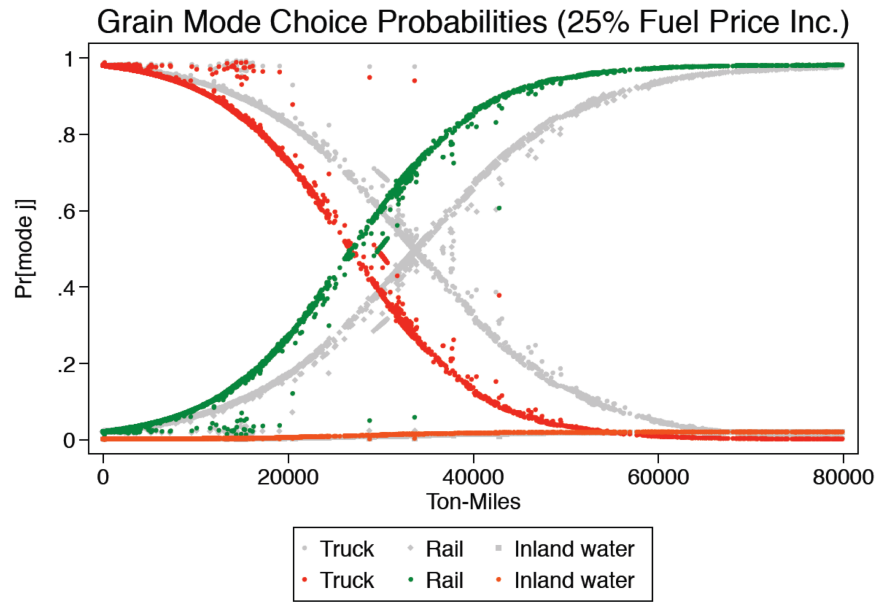


Figure 4: Coal mode shares by ton-mile decile.

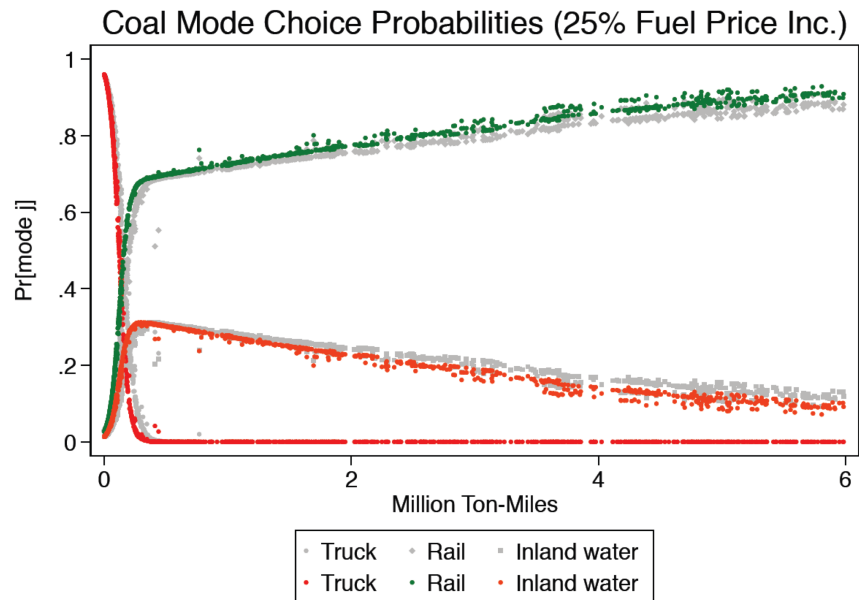
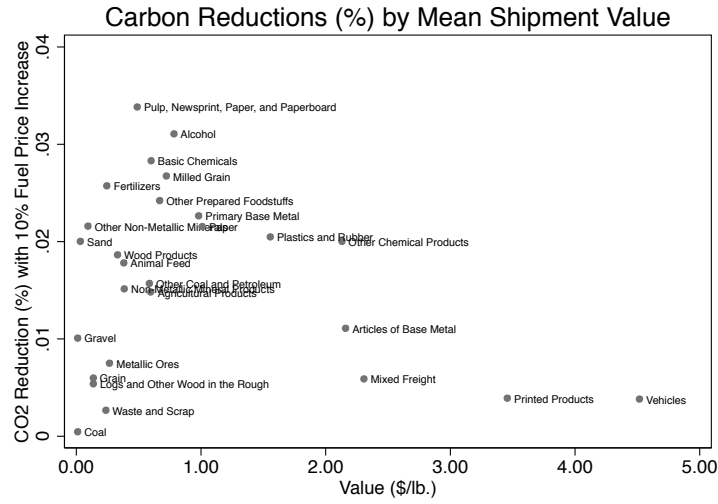


Figure 5: Abatement from a 10 percent fuel price increase by good shipped.

(a) Mean shipment value



(b) Mean shipment ton-miles

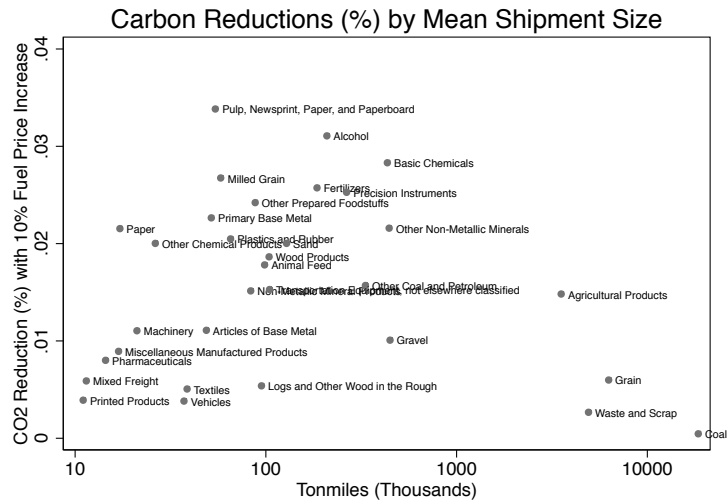
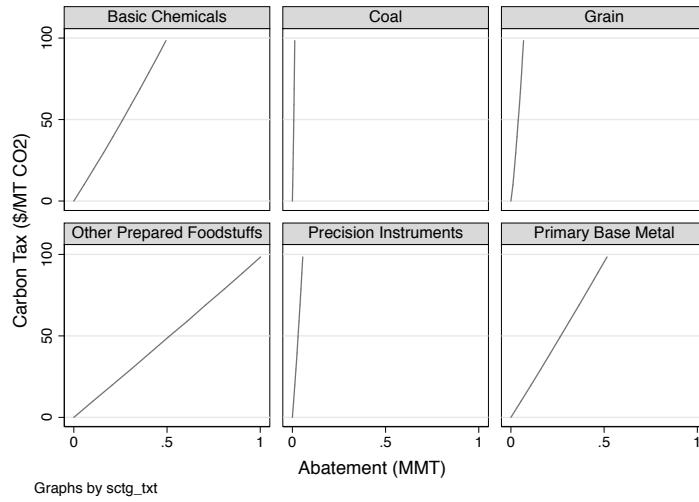


Figure 6: Marginal abatement costs of a CO₂ tax.

(a) Representative goods



(b) Aggregate

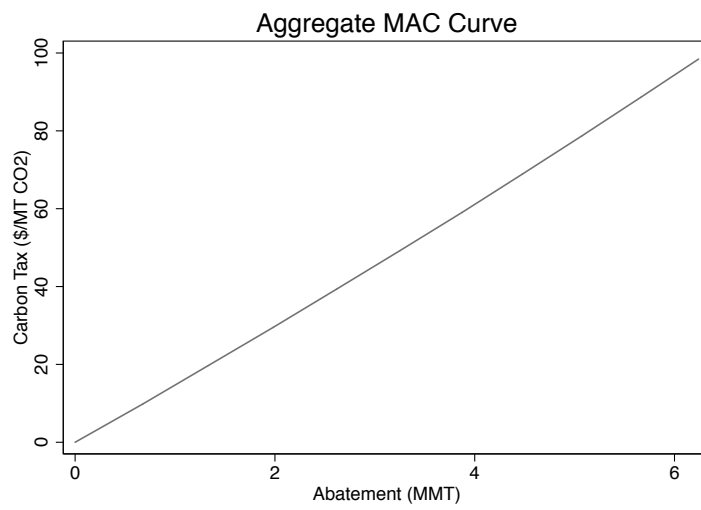
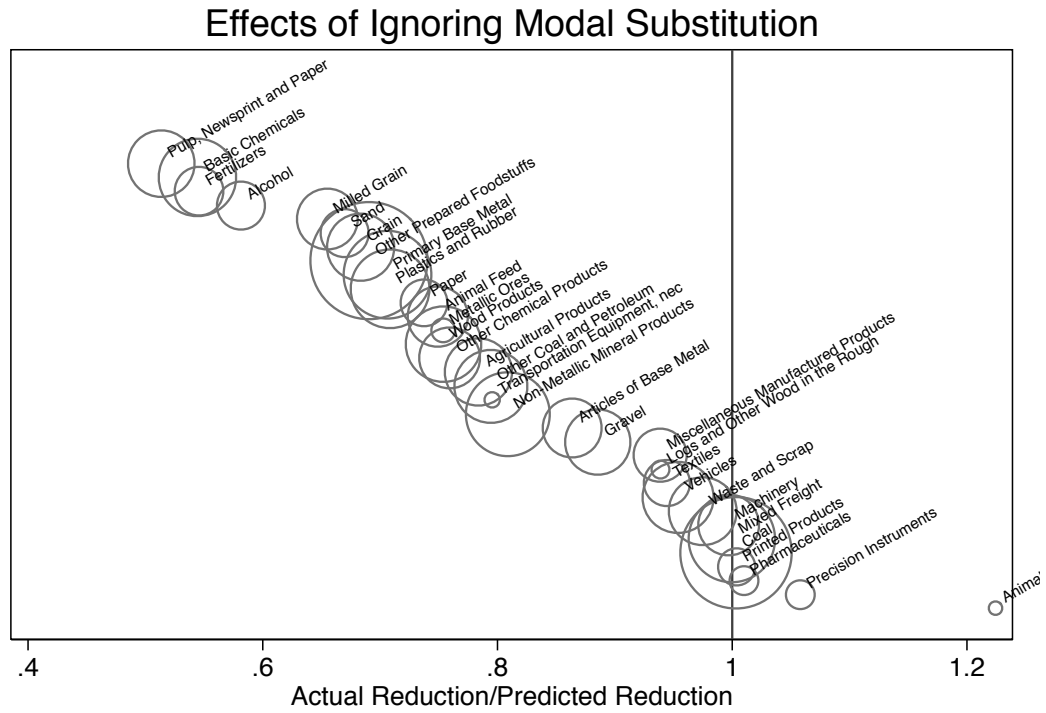


Figure 7: Emissions reductions versus naïve predictions under truck fuel economy regulation. Bubble sizes reflect BAU emissions by SCTG.



9 Tables

Table 1: Mean shipment value, weight, distance and mode shares for selected goods.

	<u>Unweighted</u>			
	Mean	Std. Dev.	Min.	Max.
Value	1,440.33	63,700	1.00	521,000,000
Miles	622.31	795	1.00	6,677
Tons	1.14	54	0.00	139,000
Air	0.02	0.12	0.00	1.00
Pipeline	0.00	0.01	0.00	1.00
Rail	0.00	0.04	0.00	1.00
Truck	0.44	0.50	0.00	1.00
Water	0.00	0.01	0.00	1.00
Parcel/Courier	0.54	0.50	0.00	1.00
	<u>Ton-Mile Weighted</u>			
	Mean	Std. Dev.	Min.	Max.
Value	415,000.00	2,750,000	1.00	521,000,000
Miles	1,089.16	731	1.00	6,677
Tons	5,066.56	12,500	0.00	139,000
Air	0.00	0.04	0.00	1.00
Pipeline	0.01	0.10	0.00	1.00
Rail	0.48	0.50	0.00	1.00
Truck	0.46	0.50	0.00	1.00
Water	0.04	0.20	0.00	1.00
Parcel/Courier	0.01	0.09	0.00	1.00

Table 2: Mean shipment value, weight, distance and mode shares for selected goods.

Commodity Group	<u>Ton Mile Wgt. Avg</u>			<u>Mode Share</u>					
	Value	Miles	Tons	Air	Pipeline	Rail	Truck	Water	Parcel/Courier
Basic Chemicals	0.6	1,148	420	0.00	0.01	0.55	0.34	0.10	0.00
Coal	0.01	1,165	17,160	0.00	0.00	0.95	0.02	0.04	0.00
Fertilizers	0.25	1,088	221	0.00	0.01	0.62	0.34	0.03	0.00
Fuel	0.41	680	4,709	0.00	0.24	0.37	0.38	0.01	0.00
Fuel Oil	0.44	454	3,030	0.00	0.26	0.02	0.59	0.13	0.00
Grain	0.14	1,156	4,703	0.00	0.00	0.81	0.10	0.09	0.00
Machinery	6.44	1,270	17	0.01	0.00	0.03	0.92	0.00	0.03
Metallic Ores	0.27	880	30,078	0.00	0.00	0.62	0.07	0.31	0.00
Mixed Freight	2.31	766	14	0.01	0.00	0.04	0.91	0.02	0.02
Non-Metallic Mineral Products	0.39	683	140	0.00	0.00	0.20	0.79	0.01	0.00
Pharmaceuticals	24.91	1,471	9	0.02	0.00	0.00	0.88	0.00	0.10
Primary Base Metal	0.98	955	52	0.00	0.00	0.29	0.71	0.00	0.00
Sand	0.03	688	173	0.00	0.00	0.46	0.54	0.00	0.00
Vehicles	4.52	1,250	30	0.01	0.00	0.18	0.78	0.00	0.03

Table 3: Observed (CFS) ton miles by SCTG and mode compared with mean predicted values, multinomial logit.

Commodity Group	Truck		Rail		Water		Air	
	CFS	Pred.	CFS	Pred.	CFS	Pred.	CFS	Pred.
Agricultural Products	38.5	38.5	28.9	28.8	16.1	16.3	0.0	0.0
Alcohol	20.6	20.6	12.9	12.9	0.0	0.0	0.0	0.0
Animal Feed	33.3	33.3	19.9	19.9	0.0	0.0	0.0	0.0
Animals	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Articles of Base Metal	33.8	33.8	6.1	6.1	0.0	0.0	0.0	0.0
Basic Chemicals	45.8	45.8	72.9	72.9	13.1	13.2	0.0	0.0
Coal	9.8	9.8	603.2	603.2	23.2	23.2	0.0	0.0
Fertilizers	17.8	17.8	32.0	32.0	1.5	1.4	0.0	0.0
Grain	17.5	17.5	136.8	136.9	15.3	15.2	0.0	0.0
Gravel	39.4	39.5	12.6	12.6	7.8	7.8	0.0	0.0
Logs and Other Wood in the Rough	3.2	3.2	0.3	0.3	0.0	0.0	0.0	0.0
Machinery	32.6	32.6	1.1	1.1	0.0	0.0	0.4	0.4
Metallic Ores	2.1	2.1	18.0	18.0	0.0	0.0	0.0	0.0
Milled Grain	34.3	34.3	15.1	15.0	0.0	0.0	0.0	0.0
Miscellaneous Manufactured Products	25.6	25.6	1.2	1.2	0.0	0.0	0.3	0.3
Mixed Freight	66.9	66.9	3.1	3.1	0.0	0.0	0.8	0.8
Non-Metallic Mineral Products	67.8	67.9	17.2	17.2	0.0	0.0	0.0	0.0
Other Chemical Products	36.3	36.3	8.2	8.2	0.0	0.0	0.0	0.0
Other Coal and Petroleum	47.6	47.5	26.8	26.8	9.3	9.3	0.0	0.0
Other Non-Metallic Minerals	15.0	15.0	10.9	10.9	5.4	5.4	0.0	0.0
Other Prepared Foodstuffs	126.9	126.8	68.0	68.1	0.0	0.0	0.0	0.0
Paper	21.1	21.1	3.9	3.9	0.0	0.0	0.0	0.0
Pharmaceuticals	6.6	6.6	0.0	0.0	0.0	0.0	0.1	0.1
Plastics and Rubber	54.4	54.4	43.5	43.5	0.0	0.0	0.0	0.0
Precision Instruments	3.7	3.7	0.0	0.0	0.0	0.0	0.4	0.4
Primary Base Metal	72.1	72.1	29.5	29.5	0.0	0.0	0.0	0.0
Printed Products	12.6	12.6	0.0	0.0	0.0	0.0	0.1	0.1
Pulp, Newsprint, Paper, and Paperboard	40.0	40.0	27.4	27.4	0.0	0.0	0.0	0.0
Sand	20.2	20.2	17.3	17.3	0.0	0.0	0.0	0.0
Textiles	21.3	21.3	0.8	0.7	0.0	0.0	0.0	0.0
Transportation Equipment, not elsewhere	2.1	2.1	1.5	1.5	0.1	0.1	0.0	0.0
Vehicles	49.1	49.1	11.5	11.5	0.0	0.0	0.0	0.0
Waste and Scrap	43.5	43.6	17.5	17.3	1.7	1.8	0.0	0.0
Wood Products	52.6	52.6	27.3	27.3	0.0	0.0	0.0	0.0

Notes: Commodity Flow Survey (CFS) ton miles by SCTG and mode (in millions of ton miles). Predicted ton-miles by SCTG and mode are average values across our simulated mode choices, Section 4, in millions of ton miles.

Table 4: Marginal effects of a fuel price change on grain and coal mode choices.

Effect of Diesel Price on Mode Choice Probabilities							
	Grain Shipments				Coal Shipments		
	Truck	Rail	Inland Water		Truck	Rail	Inland Water
10,000 Ton-Miles	-0.018** (0.008)	0.017** (0.008)	0.001** (0.000)	60,000 Ton-Miles	-0.043 (0.047)	0.03 (0.034)	0.013 (0.016)
20,000 Ton-Miles	-0.093** (0.046)	0.090** (0.045)	0.003** (0.001)	80,000 Ton-Miles	-0.077 (0.085)	0.053 (0.060)	0.024 (0.029)
30,000 Ton-Miles	-0.223*** (0.060)	0.218*** (0.060)	0.006** (0.003)	100,000 Ton-Miles	-0.120 (0.122)	0.082 (0.085)	0.037 (0.043)
40,000 Ton-Miles	-0.249*** (0.053)	0.244*** (0.050)	0.0050 (0.004)	120,000 Ton-Miles	-0.165 (0.130)	0.113 (0.090)	0.052 (0.050)
50,000 Ton-Miles	-0.143 -0.106	0.141 -0.103	0.0020 (0.003)	140,000 Ton-Miles	-0.199** -0.090	0.136** -0.061	0.063 -0.046
60,000 Ton-Miles	-0.057 (0.066)	0.056 (0.065)	0.001 (0.001)	160,000 Ton-Miles	-0.213*** (0.025)	0.145*** (0.027)	0.069* (0.035)
70,000 Ton-Miles	-0.020 (0.029)	0.020 (0.028)	0.000 (0.001)	180,000 Ton-Miles	-0.205** (0.102)	0.138* (0.076)	0.066 (0.042)
80,000 Ton-Miles	-0.007 (0.011)	0.007 (0.011)	0.000 (0.000)	200,000 Ton-Miles	-0.179 (0.174)	0.121 (0.123)	0.058 (0.059)
Observations	24817	24817	24817		10602	10602	10602

Notes: Average marginal effects for a change in diesel price on mode choice probability evaluated at different shipments sizes (ton-miles). Marginal effect evaluated at the means of shipment value and miles. Standard errors clustered at the route-level in parentheses. ***, ** and * denote significance at the 1 percent, 5 percent and 10 percent levels.

Table 5: Marginal effects of a fuel price change on alcohol and precision instrument mode choices.

Effect of Diesel Price on Mode Choice Probabilities					
	<u>Alcohol</u>			<u>Precision Instruments</u>	
	Truck	Rail		Truck	Air
30,000 Ton-Miles	-0.009*** (0.003)	0.009*** (0.003)	500 Ton-Miles	0.014*** (0.004)	-0.014*** (0.004)
40,000 Ton-Miles	-0.035*** (0.013)	0.035*** (0.013)	1,000 Ton-Miles	0.020*** (0.003)	-0.020*** (0.003)
50,000 Ton-Miles	-0.122** (0.049)	0.122** (0.049)	1,500 Ton-Miles	0.022*** (0.002)	-0.022*** (0.002)
60,000 Ton-Miles	-0.321*** (0.105)	0.321*** (0.105)	2,000 Ton-Miles	0.020*** (0.003)	-0.020*** (0.003)
70,000 Ton-Miles	-0.506*** -0.038	0.506*** -0.038	2,500 Ton-Miles	0.017*** -0.005	-0.017*** -0.005
80,000 Ton-Miles	-0.418*** (0.113)	0.418*** (0.113)	3,000 Ton-Miles	0.014** (0.006)	-0.014** (0.006)
90,000 Ton-Miles	-0.213* (0.115)	0.213* (0.115)	3,500 Ton-Miles	0.011* (0.006)	-0.011* (0.006)
100,000 Ton-Miles	-0.085 (0.061)	0.085 (0.061)	4,000 Ton-Miles	0.008 (0.006)	-0.008 (0.006)
	121138	121138	Observations	40807	40807

Notes: Average marginal effects for a change in diesel price on mode choice probability evaluated at different shipments sizes (ton-miles). Marginal effect evaluated at the means of shipment value and miles. Standard errors clustered at the route-level in parentheses. ***, ** and * denote significance at the 1 percent, 5 percent and 10 percent levels.

Table 6: Simulated fuel and emissions reductions for 2012 PUM.

Fuel Prices, Fuel Use and Emissions					
	BAU	10%	25%	50%	100%
Air (billion ton-miles)	2.12	2.02	1.91	1.79	1.62
Inland water (billion ton-miles)	93.64	89.53	82.40	72.78	69.66
Rail (billion ton-miles)	1,275.10	1,304.95	1,348.15	1,410.93	1,501.26
Truck (billion ton-miles)	1,115.45	1,089.80	1,053.84	1,000.81	913.77
Fuel (million gal.)	16,395	16,140	15,786	15,269	14,418
Emissions (MMT)	166.58	163.98	160.38	155.13	146.49
Percent change		-1.6%	-3.7%	-6.9%	-12.1%

Table 7: Simulated fuel and emissions reductions for 2002, 2007 and 2012 tabulations.

	Fuel Prices, Fuel Use and Emissions				
	BAU	10%	25%	50%	100%
Air (billion ton-miles)	45.58	45.57	45.56	45.56	45.61
Inland water (billion ton-miles)	626.95	631.31	638.62	649.15	671.29
Rail (billion ton-miles)	3,422.49	3,492.21	3,587.39	3,738.87	3,992.81
Truck (billion ton-miles)	2,320.28	2,246.20	2,143.72	1,981.72	1,705.58
Fuel (million gal.)	42,026	41,314	40,331	38,780	36,139
Emissions (MMT)	426.98	419.75	409.76	394.00	367.17
Percent change		-1.7%	-4.0%	-7.7%	-14.0%

Table 8: Observed (CFS) ton miles by SCTG and mode compared with mean predicted values, mixed logit.

Commodity Group	Truck		Rail		Water		Air	
	CFS	Pred.	CFS	Pred.	CFS	Pred.	CFS	Pred.
Agricultural Products	38.5	38.7	28.9	26.5	16.1	18.4	0.0	0.0
Alcohol	20.6	20.6	12.9	12.9	0.0	0.0	0.0	0.0
Animal Feed	33.3	33.3	19.9	19.9	0.0	0.0	0.0	0.0
Animals	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Articles of Base Metal	33.8	33.7	6.1	6.1	0.0	0.0	0.0	0.0
Basic Chemicals	45.8	46.0	72.9	68.7	13.1	17.1	0.0	0.0
Coal	9.8	11.2	603.2	578.3	23.2	46.8	0.0	0.0
Fertilizers	17.8	17.8	32.0	31.8	1.5	1.7	0.0	0.0
Grain	17.5	17.8	136.8	131.7	15.3	20.1	0.0	0.0
Gravel	39.4	39.5	12.6	12.8	7.8	7.6	0.0	0.0
Logs and Other Wood in the Rough	3.2	3.2	0.3	0.3	0.0	0.0	0.0	0.0
Machinery	32.6	32.7	1.1	1.0	0.0	0.0	0.4	0.4
Metallic Ores	2.1	2.1	18.0	18.0	0.0	0.0	0.0	0.0
Milled Grain	34.3	34.3	15.1	15.1	0.0	0.0	0.0	0.0
Miscellaneous Manufactured Products	25.6	25.3	1.2	1.5	0.0	0.0	0.3	0.3
Mixed Freight	66.9	69.4	3.1	0.8	0.0	0.0	0.8	0.6
Non-Metallic Mineral Products	67.8	67.8	17.2	17.2	0.0	0.0	0.0	0.0
Other Chemical Products	36.3	36.3	8.2	8.2	0.0	0.0	0.0	0.0
Other Coal and Petroleum	47.6	47.7	26.8	24.9	9.3	11.0	0.0	0.0
Other Prepared Foodstuffs	126.9	126.9	68.0	68.0	0.0	0.0	0.0	0.0
Paper	21.1	21.1	3.9	3.9	0.0	0.0	0.0	0.0
Pharmaceuticals	6.6	6.6	0.0	0.0	0.0	0.0	0.1	0.1
Plastics and Rubber	54.4	54.4	43.5	43.5	0.0	0.0	0.0	0.0
Precision Instruments	3.7	3.7	0.0	0.0	0.0	0.0	0.4	0.4
Primary Base Metal	72.1	72.1	29.5	29.5	0.0	0.0	0.0	0.0
Printed Products	12.6	12.6	0.0	0.0	0.0	0.0	0.1	0.1
Pulp, Newsprint, Paper, and Paperboard	40.0	40.0	27.4	27.4	0.0	0.0	0.0	0.0
Sand	20.2	20.2	17.3	17.3	0.0	0.0	0.0	0.0
Textiles	21.3	21.3	0.8	0.7	0.0	0.0	0.0	0.0
Transportation Equipment, not elsewhere	2.1	2.1	1.5	1.4	0.1	0.1	0.0	0.0
Vehicles	49.1	49.1	11.5	11.5	0.0	0.0	0.0	0.0
Waste and Scrap	43.5	43.7	17.5	15.8	1.7	3.1	0.0	0.0
Wood Products	52.6	52.6	27.3	27.3	0.0	0.0	0.0	0.0

Notes: Commodity Flow Survey (CFS) ton miles by SCTG and mode (in millions of ton miles). Predicted ton-miles by SCTG and mode are average values across our simulated mode choices, Section 7, in millions of ton miles.

Table 9: Simulated ton-miles, fuel use and emissions under truck fuel economy regulation.

Fuel Prices, Fuel Use and Emissions			
	BAU	CAFE Pred.	CAFE
<u>Ton-miles</u>			
Air (billion ton-miles)	1.96	1.96	1.95
Inland water (billion ton-miles)	125.97	125.97	125.85
Rail (billion ton-miles)	1,222.08	1,222.08	1,206.39
Truck (billion ton-miles)	1,105.05	1,105.05	1,120.87
<u>Fuel</u>			
Air (million gal.)	261.43	261.43	260.65
Inland water (million gal.)	209.95	209.95	209.75
Rail (million gal.)	2,715.74	2,715.74	2,680.86
Truck (million gal.)	13,000.55	12,350.52	12,527.40
<u>Emissions</u>			
Air (MMT)	2.66	2.66	2.65
Inland water (MMT)	2.13	2.13	2.13
Rail (MMT)	27.59	27.59	27.24
Truck (MMT)	132.09	125.48	127.28
Fuel (million gal.)	16,188	15,538	15,679
Emissions (MMT)	164.47	157.86	159.30
Percent change		4.0%	3.1%