

Impact of Traffic on Rail Profit and Cost Per Ton

Assume: Traffic = 200 mil. tons
 Fixed Costs = \$3.5 million
 Variable Costs = \$2.5 million
 Variable Cost Per Ton = $\frac{\$2.5 \text{ million}}{200 \text{ million}} = \0.0125

Price Per Ton = \$0.035
 Total Revenue = \$7.0 million (200 x \$0.035)

Traffic = 200 mil. tons

FC	3.5
<u>VC</u>	<u>2.5</u>
TC	6.0
Revenue	<u>7.0</u>
Profit	1.0

Traffic = 240 mil. tons

FC	3.5
<u>VC</u>	<u>3.0</u>
TC	6.5
Revenue	<u>8.4</u>
Profit	1.9

Total Cost / Ton $\frac{\$6 \text{ mil}}{200} = \0.03

Total Cost / Ton $\frac{\$6.5 \text{ mil}}{240} = \0.027