

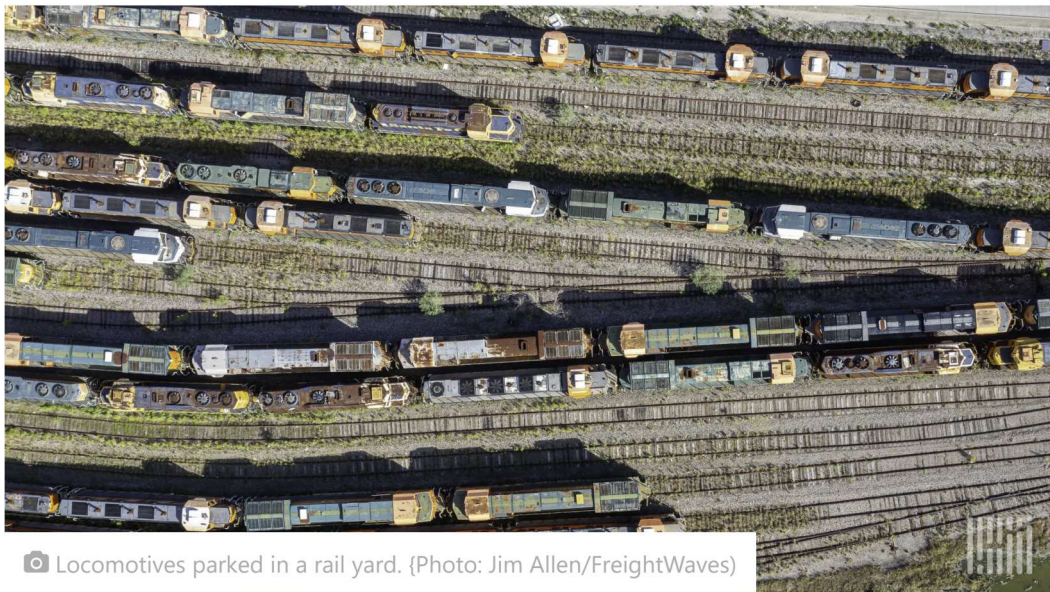
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# Economic impact from freight rail strike could total \$2B per day

Freight rail trade group, shippers concerned about impacts of potential strike



Joanna Marsh • Thursday, September 8, 2022 4 minutes read



Locomotives parked in a rail yard. (Photo: Jim Allen/FreightWaves)

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Rail stakeholders are concerned that a possible strike by some union members due to stalled contract negotiations could result in multibillion dollar economic impacts.

The Association of American Railroads estimates that a nationwide shutdown of rail operations could cost \$2 billion in lost economic output each day, according to a [report released Thursday](#). AAR reached its conclusions by updating data from a 1992 Federal Railroad Administration econometric study.

AAR, which represents freight and passenger railroads, also said a short-term switch to trucks or barges "would be costly and disruptive," with an additional 467,000 long-haul trucks needed per day to handle the freight that would have otherwise gone on rail.

"Railroads operate in an intensely competitive transportation marketplace. Firms rarely rely exclusively on rail transportation," the report said. "Over the long term, most firms that use rail transportation could modify their distribution patterns or production processes so they would not have to use railroads as much as they do today.

"For most of those firms, though, switching on short notice to trucks or barges, or changing their production processes to reduce or eliminate the need for rail service, would, at best, be extremely costly and disruptive. In many cases, it would be completely impractical," AAR's report continued.

A new labor deal for union members has been in the works since January 2020, but negotiations between the unions and the railroads [had failed](#) to progress. A federal mediation board took up the negotiations but [released the parties](#) from those efforts earlier this summer.

The Presidential Emergency Board (PEB) — a three-person board appointed by President Joe Biden that [convened in July and August](#) to come up with ways that the unions and railroads could resolve their negotiations impasse — issued recommendations last month that sought to resolve the impasse in negotiations. The recommendations were meant to serve as a jumping off point for a new contract.

As of Thursday, more than a half-dozen unions still need to reach an agreement with U.S. freight railroads over a new contract. While five unions [have reached an agreement](#) and have sent that agreement to their members for ratification, some of the larger unions, such as the Brotherhood of Locomotive Engineers and Trainmen and the International Association of Sheet Metal, Air, Rail and Transportation Workers – Transportation Division, also known as SMART-TD, have yet to reach an agreement with the railroads.

Per the Railway Labor Act, both sides have until midnight on Sept. 16 to come to a consensus; after that, the "cooling-off" period ends and union members could decide to go on strike.

"Like those unions that have already tentatively agreed to the PEB deal, each of the remaining unions can still enter into agreements based on these

recommendations," AAR President Ian Jefferies said in a release for the report. "However, should negotiations fail and result in a work stoppage, Congress must act to implement the PEB recommendations — rewarding employees and stopping unnecessary economic harm and uncertainty for rail customers."

While AAR examined the potential economic costs, shippers have started to press Congress to intervene should a strike be imminent.

A Thursday letter from the Agricultural Transportation Working Group that was also signed by 31 shippers groups representing agricultural interests "strongly urge[s] Congress to act to avoid significant economic damage to U.S. supply chains and further uncertainty for rail customers."

"A complete stoppage of the rail system would lead to shutdowns or slowdowns of rail-dependent facilities, resulting in devastating consequences to our national and global food security," said the letter sent to leaders and members of the U.S. Senate Commerce, Science and Transportation Committee and the U.S. House Transportation and Infrastructure Committee. The letter also noted that a stoppage of rail service could exacerbate existing service issues.

"Leaders around the world are already concerned about food shortages and famine due to drought and geopolitical challenges, such as the invasion of Ukraine, which accounts for 10% of the global exports of wheat. A freight rail stoppage would occur as America's farmers harvest their crops and would exacerbate global food insecurity and likely contribute to further geopolitical instability in regions that experience famine. Congress must be willing to act to ensure our farmers and ranchers can continue to help feed the world," the letter continued.

The National Retail Federation also sent a letter Thursday addressed to the majority and minority leaders of the House and Senate expressing its concern about a potential disruption in rail service.

"If the parties do not reach conclusion of their negotiations, we encourage Congress to implement the recommendations of the PEB to avoid any kind of



disruption that will create further strain on the supply chain,” said the letter signed by David French, NRF’s senior vice president of government relations.

The letter continued, “Our nation’s retailers continue to meet strong consumer demand despite continued supply chain challenges. The goods and services tied to retailers are a key part of needed economic growth — despite various economic headwinds — and they require continued improvements and fluidity in the supply chain. ... If the remaining unions do not agree to a deal by Sept. 16, there is real concern for a strike that could shut down the system.”

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