Global supply chains are complex.

Global freight supply chains are complex systems composed of steamship lines; truckers; railroads; ports; drayage providers; owners of truck chassis, shipping containers and warehouses; manufacturers; wholesalers and retailers of goods. All stakeholders must do their part to maintain a consistent flow of freight at every step of the process to avoid bottlenecks and ensure that freight is delivered safely, efficiently and when expected.

Freight railroads are managing disruptions with a multi-prong approach to improve service.

The interdependent supply chain has been rattled by the impact of a global pandemic on consumer purchasing trends, worker preferences, and rapidly changing global and national economies. Railroads continue to move huge amounts of cargo, despite current supply chain challenges.

In the first quarter of 2022, railroads moved more chemicals than in any other quarter in history; the second-most grain for a first quarter since 2011; and the fourth-most intermodal units for a first quarter in history. The rail industry continues to work 24/7 to meet the nation’s freight transportation needs and return service to a level customers deserve and expect. Here are some examples:

- **Expanding network capacity.**
  - Railroads are pulling equipment out of storage, activating their reserve fleets and prepositioning resources where needed regionally to meet customer demand.
  - Railroads are collaborating with customers to understand their rail car needs and schedule car movements to minimize the impact on the congested rail network.
  - Some railroads have reopened dormant terminals to minimize the congestion in other terminals and are re-routing traffic from one terminal to another.
  - Some railroads offer financial incentives to customers to encourage weekend in-gating at certain facilities, while others offer incentives to those who can take a container out when they bring a container in to expedite freight flows.

Key Takeaway

From expanding network capacity to actively hiring, freight railroads are working hard to solve the current supply chain disruptions and improve service and reliability.
• Hiring, training, deploying and retaining train crews.
  • Railroads are recalling rail workers furloughed during the pandemic.
  • Railroads are offering hiring bonuses, financial payments to refer-a-friend and other incentives to entice more skilled labor to fill current vacancies.
  • Railroads are also encouraging their current employees to help meet demand, including through vacation buybacks and incentive payments to move to high-demand regions of the network.
  • Response teams are on hand to quickly and safely restore services impacted by weather, and maintenance teams are prepared to swiftly bring idled locomotives back online, if needed.

• Closely collaborating with trucks.
  • Railroads are working with trucking partners to move shipments from intermodal terminals as quickly as destination warehousing capacity becomes available.
  • One railroad keeps a pool of truck chassis (the base frames of trucks) in their yards to help maximize truck hauling capacity. Another railroad will mount intermodal containers on any chassis brought to it to help reduce truckers driving without any cargo.

A complex web of issues create global supply chain disruptions.

A complex web of issues impacts every phase of the supply network — from sourcing to manufacturing to last-mile delivery. For railroads, the biggest challenge today is the nationwide challenge to recruit and retain qualified employees. Many industries — including railroads’ largest competitor, the trucking industry — are having difficulty hiring and retaining employees to meet the surge in demand. As the STB recognizes, “carriers have reported hiring difficulties — difficulties that are not restricted to the rail industry.” Additional challenges include:

• Global manufacturing capability, demand and consumption patterns have bucked historical trends. The COVID-19 pandemic continues to wreak havoc on manufacturing worldwide, even as consumer demand for goods — including via e-commerce — remains high. Ports, trucking, railroading, warehousing and distribution centers continue to adapt to these unpredictable changes.

• Port and warehouse congestion cause ripple effects throughout the intermodal system. While major railroads operate 24/7, not all other participants in the supply chain do. The lack of port, drayage, long-haul trucking and warehousing capacity, and differing working hours among supply chain partners set off a chain reaction leading to less efficient operations system-wide.

• Unexpected increases in customer car orders hurt dwell time and network velocity. When demand grows, and rail capacity is in short supply, some customers increase their railcar orders beyond what they actually need. The influx of additional cars into an already congested system reduces the fluidity of the entire network.

• Other external events are exacerbating service issues. Recent extreme weather events, rising inflation, and the Russia-Ukraine War add further uncertainty to supply chains and upending global markets, including agriculture (Russia and Ukraine together account for 40% of global wheat exports), fertilizer and energy.
Now is not the time for rail regulations.

Freight railroads are an essential link in the nation’s supply chain, working around the clock, day-in and day-out to improve their service, safety and sustainability. Today, they employ a well-paid workforce and are actively recruiting and training new workers. They provide environmentally responsible transportation solutions and are developing and testing new technologies to usher in an even lower carbon future. And they invest billions of dollars to maintain and modernize their top-rated infrastructure.

While there is never a good time to implement ill-advised regulations on a transportation network critical to our economy, doing so when supply chains are already facing severe challenges would be especially unwise. There are many examples of federal regulators either implementing or considering rail regulations that would cause unintended consequences or harm the efficiency and quality of rail service.

Forced switching is one of the more problematic proposed regulations. Under this rule from the Surface Transportation Board, railroads could be forced to turn over traffic to competitors. This bad policy would slow rail operations and hurt shippers, consumers, the environment and the economy. Supply chain impacts must be top-of-mind, and Congress and the administration should proceed cautiously when considering new requirements or regulations on the industry.