Freight Railroads: A 24/7 Link in the U.S. Supply Chain

KEY TAKEAWAY

Railroads play a vital role in sustaining America’s economy by implementing strategic measures to maintain a consistent flow of freight within the complex global supply chain. By expanding network capacity, growing the workforce and fostering strong partnerships throughout the supply chain, railroads enable the efficient movement of goods across the country and worldwide.

Global Supply Chain Complexities

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 Rail’s Management of Disruptions

Railroads managed disruptions with a multi-prong approach to improve service. The interdependent supply chain was rattled by the impact of a global pandemic on consumer purchasing trends, worker preferences, and rapidly changing global and national economies. Despite current supply chain challenges, railroads continued to move huge amounts of cargo.

In the first 11 months of 2022, railroads moved more carloads of chemicals than in any comparable period in history; more carloads of food products than any year since 2012; the fourth-highest carloads of grain since 2009; and the second-highest carloads of iron and steel scrap since 2014. The rail industry worked 24/7 to meet the nation’s freight transportation needs and return service to a level customers deserve and expect. Here are some examples:

- **Submitted data plans to the STB**: Railroads provided service recovery plans to the Surface Transportation Board and gave bi-weekly updates. Railroads also submitted service-related data to aid the STB’s monitoring of service recovery.

- **Expanded network capacity**: Railroads pulled equipment out of storage, activated their reserve fleets and prepositioned resources where needed regionally to meet customer demand. They also collaborated with customers to understand their rail car needs and scheduled car movements to minimize the impact on the congested rail network.
Some railroads reopened dormant terminals to minimize the congestion in other terminals and re-routed traffic from one terminal to another. Some railroads also offered financial incentives to customers to encourage weekend in-gating at certain facilities, while others offered incentives to those who can take a container out when they bring a container in to expedite freight flows.

- **Hired and deployed train crews:** Railroads offered hiring bonuses, financial payments to refer-a-friend and other incentives to entice more skilled labor to fill current vacancies. They also encouraged their current employees to help meet demand through vacation buybacks and incentive payments to move to high-demand regions of the network. Response teams are always on hand to quickly and safely restore services impacted by weather, and maintenance teams are prepared to bring idled locomotives back online if needed.

The total Class I employment in May 2023 reached 52,043, marking an impressive 13.7% increase since January 2022. May 2023 was the 16th straight month in which T&E employment was higher than in the previous month.

- **Worked closely with trucks:** Railroads worked with trucking partners to move shipments from intermodal terminals as quickly as destination warehousing capacity became available. One railroad kept a pool of truck chassis (the base frames of trucks) in their yards to help maximize truck hauling capacity. Another railroad mounted intermodal containers on any chassis brought to it to help reduce truckers driving without any cargo.

**Challenges**

A complex web of issues impacts every phase of the supply network — from sourcing to manufacturing to last-mile delivery. The biggest challenge recently for railroads has been 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.”

- **Global manufacturing capability, demand and consumption patterns have bucked historical trends:** The COVID-19 pandemic has impacted manufacturing worldwide, even as consumer demand for goods — including via e-commerce — remains high. Ports, trucking, railroading, warehousing and distribution centers have had to adapt to these unpredictable changes.

- **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 exacerbate service issues:** Recent extreme weather events, rising inflation, and the Russia-Ukraine War add further uncertainty to supply chains and upend global markets, including agriculture (Russia and Ukraine together account for 40% of global wheat exports), fertilizer and energy.

**Risk of Regulations**

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 just recovering from 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.