

Home > Transportation

November 23, 2022 05:45 AM

Rail unions again threaten to strike. The timing could be even worse this time.

CORLI JAY



A potential rail workers strike looms again this year with an extra wrinkle—the holiday season could be affected this time.

While there could be a significant impact on passenger traffic as well as moving necessary products across the country, holiday shopping wouldn't be affected. But the potential effect on the supply chain is harder to pin down.

"We're now going into the winter season and our nation's coal shipments and drinking water supply could be impacted. Not to mention holiday travel would be threatened with a shutdown of passenger rail," said Bindiya Vakil, CEO and co-founder of Resilinc, a supply chain monitoring and analytics firm.

"Forty percent of goods that are shipped long-distance in the U.S. traverse the rail system, and a strike could deliver a catastrophic blow as the economy is still dealing with stresses like supply chain delays, labor shortages and inflation," Vakil added.

One of the largest railroad unions voted to reject a contract deal brokered by the Biden administration earlier this fall. The rejection could lead to a national strike in the coming weeks, with the cooling-off period ending on Dec. 9.

The SMART Transportation Division, which represents more than 37,000 workers involved, announced Monday it had turned down the contract over attendance policies. Workers stated that they would also like a pay raise and a lenient PTO system that includes sick time.

If a strike were to occur, the U.S. economy would suffer a loss of \$2 billion a day. Vakil said that the strike would additionally cause a ripple effect, including an increase in already steep food costs.

Commuter rail services would likely grind to a halt. In anticipation of a strike in September, Amtrak canceled or suspended all passenger services in Chicago. Metra was ready to suspend four of its commuter lines as well.

Metra representative Michael Gilles said that it's too early to tell if the same will take place in December. "Last time when there was a threatened strike, we knew for sure that the three lines that are operated by Union Pacific and the one line operated by BNSF railway would definitely be affected because they're operated by freight employees," he said.

Gilles said of the seven lines in Metra's system, two of them are owned by Metra and would not be impacted, but the other five are in a gray area. "We are hopeful they would not be impacted, but it depends on cooperation from freight owners or dispatchers, and I imagine that we would have to work that out with them again if we come up against the deadline," said Gilles.

"Amtrak continues to monitor ongoing freight rail management-labor contract negotiations," Amtrak said in a statement. "The negotiations do not involve Amtrak or the Amtrak workforce."

Jason Haith, manager at OEC Group Louisville, a global freight forwarder, said that while passenger travel by rail would see an impact, consumers wouldn't see their holiday shopping affected as warehouses and retailers are all stocked up for the season.

"If the rail goes down, then that's something that won't show up until the middle of January. So I don't know that it affects the ability to buy something on the shelf now. Most of the things that are going to be sold for the holiday season are already here," said Haith.

"But going into early next year, it could be something that affects spring products; patio furniture, pots, planting, outdoor lighting, those kinds of things."

Haith said results would be more immediate from a logistical standpoint as they would be forced to immediately respond. "It would effectively gridlock the system in 3-5 days," he said. "Cargo would be stranded all over the country and buildups would occur at supplier facilities."

To prepare for a potential strike, Vakil said that consumers should consider discount stores or purchasing goods secondhand, mentioning a drive toward these options for auto parts during the pandemic.

Haith said he doesn't believe there's much to do to prepare for a supply chain work stoppage. Explaining the process of ordering products, he said placing an order today would get the company its product ready to ship in January with an expected arrival date of late February. "You're making decisions today about what's going to happen, potentially, in March of next year."

Haith doesn't believe that there would be an immediate impact for the average consumer, though ordering in bulk might be a problem.

Agriculture would likely be affected, including livestock food products, Haith noted. "The rail infrastructure in Chicago is the largest in the country. There's seven different rail hubs. There's a whole bunch of overflow lots and all of the (goods) would be stranded. I don't know if it'll be a food shortage, but it would definitely push food cost up if the rail was on strike for 4-5 days. It wouldn't take much at all."

Balaji Guntur, chief operating officer of Hoptek, an Atlanta-based tech company focused on solutions for the trucking industry, said that although all industries would be touched by a rail workers strike, consumers would see only a marginal effect on perishable food items such as frozen foods and milk.

"To the extent perishables move at the last minute, we would essentially see a bit of an impact of such goods from the freight strike. It's going to come down to how long the strike is going to last."

Guntur said that with the strike set to start after the union's Dec. 9 deadline, Congress will likely intervene before the next week where a real impact would be really felt.

"I think the first 2-4 days, you will not even feel it. Because there is so much slack in the rail system. There is so much as (the system) doesn't really move on time, and so on. So there is a bit of slack that will be existing in the first few days, but inventory tightening will happen very, very quickly—within a few days."