On Monday, the President urged Congress to pass legislation that would avert a rail shutdown by imposing a proposed contract from September that several rail unions’ members had rejected. Railroad and union leaders had reached the September agreement with recommendations from a Presidential Emergency Board, but the tentative agreement was subject to ratification by union membership.

The five-year agreement comes with a 25% increase in wages, and an additional paid day off. However, unions had sought greater paid leave. The two largest rail unions, SMART Transportation Division and the Brotherhood of Locomotive Engineers and Trainmen, each representing more than 20,000 workers, were split on ratifying the deal the Administration had brokered, with the former narrowly voting to reject the deal and the latter narrowly voting to ratify. In total, four of the twelve freight rail unions, representing more than 50,000 workers, voted down the proposed agreement.

“As a proud pro-labor President, I am reluctant to override the ratification procedures and the views of those who voted against the agreement,” President Biden said in his statement, “but in this case—where the economic impact of a shutdown would hurt millions of other working people and families—I believe Congress must use its powers to adopt this deal.”

Under the Railway Labor Act of 1926, Congress has the power to impose the agreement, or even order negotiations to continue and delay the strike deadline, which is currently slated for December 9. In response to the President’s call, House Speaker Nancy Pelosi issued a statement supporting legislation to avert the strike by imposing the September agreement on the parties and promised to bring a proposal to the House floor this week for a vote. The House is expected to vote on Wednesday, and the legislation is expected to pass easily. It also has support in the Senate from both Democratic and Republican leaders. There has not been a national rail strike since 1991; that strike was also resolved through Congressional action, ending it after about one day of disruption.

A rail strike would put very serious pressures on the supply chain and further increase inflationary pressures. About 40 percent of the nation’s long-distance freight moves via rail, and a strike would force more cargo onto trucks (for which there is still a shortage of about 78,000 drivers), and many heavy commodities are not conducive to truck transport. The Association of American Railroads (AAR), a group representing the rail leaders, estimates in a report on the economic impact of a rail shutdown that the freight system hauls the equivalent of 467,000 long-haul trucks per day. AAR estimates that the total impact of a strike would be $2 billion a day, with particular impacts in the automotive, chemical, metals, and mining industries. An independent analysis by The Anderson Group, an economic consultancy, estimates the first day costs at just $59 million but notes that the figure rises sharply in a prolonged strike, with a “potential quarter-billion dollar loss to workers and consumers” in a three-day strike running from Friday-Sunday, noting particular costs for spoilage of food and agricultural products. In addition, if a shutdown continued, it would become more difficult for firms to work from existing inventories. Passenger rail service would also be impacted, as freight railroads own and maintain nearly 97 percent of the tracks on Amtrak’s 22,000-mile system.
Ethanol, which was already experiencing weakening of rail service contributing to higher gasoline prices, would face particular disruption, as more than 70 percent of ethanol is carried by rail. Disruptions in ethanol supplies would make it more difficult to maintain adequate fuel supplies for gasoline. In addition, although a majority of power plants could withstand a week of rail disruption of a week, they would eventually run out of supplies. The American Chemistry Council, a trade group for chemical manufacturers, projects 700,000 jobs lost and $160 billion in economic activity lost in a month-long stoppage.

In a statement today, Dr. Lori Esposito Murray, President of CED, said . . . .

The Committee for Economic Development welcomes the decision of the Administration to ask Congress to exercise its powers under the Railway Labor Act of 1926 to avert a possible freight rail strike, the first in over three decades.

A strike at this moment, when the economy is already facing higher inflation and a looming recession, would severely hurt American consumers and businesses and reverse even further an economic recovery. A strike could potentially cost the economy up to $1 billion in its first week, with particularly strong impacts on transport of ethanol for gasoline, food and agricultural products, the automotive industry, and manufacturing, all at a time when the nation is experiencing a shortage of truck drivers and low water levels on the Mississippi River affecting barge traffic.

While Congress should be reluctant to interfere in normal labor-management negotiations, the state of the economy demands that it act in this case. We call on Congress to act expeditiously, well before the December 9 deadline, to avoid a damaging strike and give shippers confidence that their goods will make it to market in a timely manner and consumers confidence that they will not face even higher prices resulting from a strike that can easily be avoided with a vote of Congress.

Read CED’s September 15th Statement on the Railway Strike

Read CED’s recent Solutions Brief on the importance of resilient supply chains »