



# The Bottom Line

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## POTENTIAL U.S. RAIL STRIKE AVERTED

### Summary

An eleventh-hour deal between railroads and workers' unions has averted a nationwide rail strike, but the story may not be over yet.

### Background

Running on almost 140,000 route miles, the U.S. freight rail network is widely considered the world's largest, safest, and most cost-efficient freight system. The nearly \$80-billion freight rail industry is operated by seven Class I railroads (with operating revenues of \$490 million or more), 22 regional, and 584 local/short-line railroads. It provides more than 167,000 jobs across the United States. It offers benefits that other modes of transportation cannot, including reductions in road congestion, highway fatalities, fuel consumption, greenhouse gases, cost of logistics, and public infrastructure maintenance costs. America's freight railroads are almost entirely privately owned and operated. Unlike trucks and barges, freight railroads operate overwhelmingly on infrastructure they own, build, maintain and pay for themselves.

The movement of shipping containers and truck trailers by rail has been the fastest growing rail traffic segment over the past 25 years. Railroads safely move commodities such as crude oil, ethanol, and coal to help meet America's energy needs. The coal delivered by rail to power plants for electricity generation and to ports for export is the single highest-volume commodity carried by rail.

'Precision Scheduled Railroading' (PSR) refers to trains operating on a set schedule—a commitment to enhancing efficiency in the system. In practice, it is a nebulous term that has come to cover many measures to cut costs and increase profits.

The railroads have followed this course by cutting less-profitable routes; closing and consolidating railyards, repair barns and other facilities; running fewer, longer trains; and laying off tens of thousands of workers while demanding the remaining workers do more.

Railroads have cut as many as 35 percent of workers in some functions over the past several years. Industry-wide, there were 160,795 Class I rail workers in December 2015 and only 114,499 by December 2021. Workers have had fewer days off and even more irregular schedules. The railroads have cut back on inspections, and maintenance traditionally done by union workers has been deferred and outsourced. They ran longer trains that were harder to operate and more prone to derailments. In recent years, railroads have pushed to reduce the crews of these ever-longer trains from two people to one. As a result, the railroads have created a crisis. They have laid off so many people that many of those who remained considered the situation unbearable.

### Current Status

The current bargaining with the major rail carriers has been going on since 2019, when the existing contracts came up for amendment. BNSF and Union Pacific, North America's two largest railroad corporations, reported record profits in 2021. In addition, U.S. railroads have paid out \$196bn in stock buybacks and dividends to shareholders since 2010.

A new employee points-based attendance system introduced by BNSF in February this year has drawn harsh criticism during negotiations.

While BNSF said the new "Hi-Viz" policy helped the railroad increase crew availability, the unions representing railroad employees called it "the worst and most egregious attendance policy ever adopted by any rail carrier."



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Critics say it contributed to staffing shortages, as hundreds of employees reportedly resigned in the wake of its implementation. Railroad managers are blaming resultant labor shortages for delays and poor on-time performance. Even before the system was introduced, railroad conductors and engineers were essentially on call most of the time, outside of paid vacation and personal leave days. When they get called to work, they generally have either 90 minutes or two hours to report to work.

Under the Hi-Viz system, employees begin with 30 points and can be penalized anywhere from two to 28 points for failing to be available or report for work, depending on circumstances. Discipline results if an employee's points drop to zero. The policy requires rail workers to be available to work 29 of every 30 days. Critics of the new system say it makes it nearly impossible for employees to live a normal life or even comply with quarantine requirements if infected with the COVID virus.

President Joe Biden prevented a strike two months ago by imposing a cooling-off period during which a panel he appointed, known as a Presidential Emergency Board (PEB), looked at the disputed issues in the negotiations and issued a recommended settlement.

### Impact

Early Thursday morning, after 20 hours of negotiations, the White House announced a tentative agreement had been reached that gives workers not only a significant wage increase but also some protection from the rail carriers' punitive attendance policies.

Yet workers will need to ratify any compromise before it can be adopted. And train conductors and engineers haven't even gotten to that point. The board's proposal, they say, fails to address workers' concerns over issues like on-call policies,

paid leave, and more. For example, union leaders had pushed for 15 days of paid sick leave, but the proposed deal landed on just one day. The White House and union leaders emphasized that the agreement wins concessions that remove penalties for missing time due to an illness or medical emergency.

About 4,900 members of the International Association of Machinists and Aerospace Workers District 19 voted to reject the tentative agreement negotiated by IAM leadership with the railroads. As of Thursday afternoon, many workers remained confused about which new benefits had been won, demonstrating union officials' uphill climb in selling the compromise and settling the issue once and for all.

#### RESOURCES:

[Freight Rail Overview](#) (DOT.gov)

[Railroad 101 Freight Railroads Fact Sheet](#) (AAR)

[Massive Rail Strike Next Week Could Deal Blow to Economy](#) (CNN)

[Biden Averts Freight Railroad Strike—For Now](#) (CNN Business)

[Railroads' Workplace Attendance Policies](#) (NPR)

[Rail Unions, Carriers Reach Tentative Compromise](#) (Politico)

[Rail Unions Bargaining Over Good Job Made Miserable](#) (LN)

[BNSF 'Hi-Viz' Policy Under Fire](#) (Railfan & Railroad Magazine)

[Railroad Strike Appears Averted](#) (The Washington Post)