



A bold voice for transportation workers

**WRITTEN STATEMENT OF
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**BEFORE THE COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE**

**“Industry and Labor Perspectives: A Further Look at North American Supply
Chain Challenges”**

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On behalf of the Transportation Trades Department, AFL-CIO (TTD) and our 33 affiliated unions, I first want to thank Chairman DeFazio and Ranking Member Graves for inviting me to testify before the Committee today on the extremely timely issue of supply chain challenges and congestion. The employees represented by TTD-affiliated unions have had a front-row seat to the serious challenges facing America’s supply chain—including the workers directly engaged in freight transportation at railroads and ports, and who work in industries that have been hamstrung by the inability to procure key materials in a timely manner.

The State of the Supply Chain

The fact that these disruptions have resulted in enormous economic, financial, and environmental costs is clear. Despite no shortage of finger-pointing and over-simplifying, we

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must acknowledge that the root cause of our supply chain bottlenecks is multivariate. Principally, we know that year to date, overall cargo volume through the Port of LA Long Beach, for example, has increased by a massive 26% compared to 2020, driven in part by a sharp uptick in consumer demand for durable goods.¹ This remarkable rise in cargo volumes has stressed every component of the freight transportation network, frequently to the breaking point. By way of example, earlier this year, Union Pacific found itself unable to clear backlogs, and stopped running desperately needed trains between the West Coast and its Global IV gateway in Chicago. Burlington Northern Santa Fe similarly began rationing service over its LA-LB to Chicago routes. Still, today, dozens of cargo ships remain anchored off the port, currently unable to dock due to lack of capacity at port terminals. Terminal operators at both LA-LB and the Port of Savannah are attempting to repurpose additional facilities to store overflow containers, as storage at the port has been exhausted.

It is not surprising that this historic increase in cargo volumes and demand would result in supply chain challenges. There are few if any industries that would be positioned to handle this level of new demand without difficulties. This is particularly true with one as complex and interconnected as freight transportation. Ultimately, there is no actor, decision, or policy that is individually responsible for the scenario the nation finds itself in. However, as we seek to move past these supply chain bottlenecks, Congress and the administration must acknowledge and

¹ <https://www.portoflosangeles.org/business/statistics/container-statistics>
<https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-commentary/2021-economic-commentaries/ec-202116-durable-goods-spending-during-covid19-pandemic.aspx>

examine conditions that increased the severity of the crisis, alongside efforts to alleviate the backlogs of today and tomorrow.

I must also take this opportunity to be perfectly clear on one point. There are many in Congress and in the industries our members serve who are cynically using this opportunity to scapegoat hard-working Americans, undermine their collective bargaining rights, and further deteriorate safety and working conditions for supply chain employees. Putting any amount of blame for this crisis on the shoulders of your constituents—the American workers who drive this economy through thick and thin—is unacceptable. We reject this misguided placement of blame out of hand and urge all policy makers to do the same.

Unexpected Conditions, Inevitable Results

The supply chain crisis has put a spotlight on components of the freight network that were particularly ill-prepared for the demand shock of the last year. Recently, 160 House Republicans signed on to a letter which stated that “The current supply chain crisis exposes how close to its limit our transportation system operates. There is little redundant capacity.”² TTD could not agree more strongly with this analysis. There is nowhere where this lack of redundant capacity is and was more acute than at Class I railroads.

As TTD has testified before this Committee several times previously, for years the Class I railroads have pursued an operating model known as precision scheduled railroading, or PSR. PSR operations seek to maximize operating ratios—a railroad’s expenses as a percentage of

² https://republicans-transportation.house.gov/uploadedfiles/2021-10-20_supply_chain_crisis_letter.pdf

revenue—to appease shareholders and increase returns. Fundamentally, a PSR railroad abandons the traditional operating model of a service industry that responds to the variable demand of its customers. Instead, it operates on a regimented schedule more akin to passenger rail. After eliminating on-demand response, flexibility in the construction of train consists, and the availability of service, railroads then jettison capital assets like locomotives and cars and slash jobs across the network.

In doing so, Class I railroads all but ensured their operations would not be able to rapidly respond to economic shocks or rapid changes in the flow of traffic, like those the nation is currently experiencing. This is evident in the hollowing out of the industry that has taken place in recent years. During the five-year period between 2014 and 2019, Class I railroads eliminated a staggering 20% of their overall workforce. I might add that many of these freight rail employees have specialized skills and training—many require certification—that are not easily replicated in the broad US workforce.

Throughout the pandemic, employment dropped further as freight volumes collapsed. However, freight rail has enjoyed a “v-shaped” recovery—carloads have nearly returned to 2019 levels. Yet, Class I carriers today employ fewer employees than they did pre-pandemic, and amid the supply chain crisis, employment continued to decrease in August and September of this year. Further, in the first three quarters of FYI ’21, an analysis of four Class I railroads shows a shocking -19.5% decrease in employee service hours compared to FY ’19, while handling only 3.2% fewer carloads. At a time when more, and more reliable, freight rail service was badly needed, railroads have only dug further into profit-first skeleton crew operations. We are

unequivocal—these reductions have resulted in a rail network that is less prepared, less capable, and less safe.

Not only do railroads lack the personnel to respond nimbly to the supply chain crisis, but they frequently also lack equipment. In its 2020 financial disclosures, Union Pacific stated that it had reduced its active locomotive fleet by 24% and only managed to keep 58% of its remaining locomotives in service. Other carriers have similarly eliminated equipment, and TTD unions report that equipment not in use is often not kept in a state of good repair, meaning that it cannot quickly be put into service when needed. As a result, when a surge of force was required to resolve congestion issues, railroads were left without the institutional flexibility required to do so quickly.

Service that has run between LA-LB, Chicago, and other hubs bears evidence of PSR, as railroads continued to prioritize shareholder returns over high-quality operations during the worst moments of the supply chain crisis. We are aware of at least one Class I that restricted many of its trains, including those serving the West Coast, to traveling at a speed of 40 M.P.H despite operating over track rated for much higher speeds. These limitations are unrelated to safety or operational requirements, but instead exist to extract further revenue by reducing fuel costs, even if doing so further exacerbates delays and supply chain chokepoints.

While drastic spikes in demand were always likely to result in significant operational challenges, the lack of elasticity among freight railroads has worsened and extended supply chain challenges. Rail labor is not alone in identifying the industry as an ongoing chokepoint in the supply chain crisis. Surface Transportation Board Chairman Marty Oberman penned a letter on preparedness to railroad CEOs stating his concern about “the extent to which these service issues

may be related to or exacerbated by a broader trend of rail labor reductions that has been occurring over the past several years.” In additional remarks, he added that “operating the railroads with that many fewer employees makes it difficult to avoid cuts in service, provide more reliable service, and reduce poor on-time performance that does not compete well with truck.”

While rail carriers will cite that some metrics have improved, many of these improvements are recent—for example, rail dwell times at West Coast ports didn’t begin a sustained decrease until August.³ Further, despite these efforts intermodal rail volumes have actually decreased year over year, with U.S. intermodal volumes for September 6.7% lower than September 2020, as shippers look elsewhere to move cargo.⁴ It is clear that challenges persist, and have persisted longer than they needed to.

Good Jobs Attract Strong Workforces

Today, Class I’s are acknowledging the need to hire additional employees to meet demand, and we strongly encourage them to do so. However, in a tight labor market,⁵ rail employers are pointing to so-called “labor shortages” as an explanation for ongoing difficulties in staffing. TTD rejects any characterization that the rail industry is suddenly experiencing a shortage beyond its control, given the calculated elimination of tens of thousands of jobs over the past decade. If the existing rail workforce is inadequate to handle current freight demand, and we

³ <https://www.pmsaship.com/wp-content/uploads/2021/10/West-Coast-Trade-Report-October-2021.pdf>

⁴ <https://www.freightwaves.com/news/us-intermodal-rail-traffic-softens-in-september-on-supply-chain-woes>

⁵ <https://fred.stlouisfed.org/graph/?g=E9Bs>

believe that it is, this is the result of intentional decision-making by Class I carriers as they've embraced the PSR model. They must be held accountable during this supply chain crisis for decisions that have contracted our freight rail capacity and left our economy in a worse state as a result.

Not only have carriers drastically cut headcount, but they have also fostered workplace conditions that have degraded the quality of railroad employment. TTD unions have increasingly reported on the phenomenon of mid-career rail employees resigning from well-paying jobs and giving up stable retirements due to an unwillingness to continue to work in unsafe conditions where the perpetual threat of furlough looms large. According to data provided by the Railroad Retirement Board, even when adjusting for retirements, approximately 7,200 employees left the rail industry during the pandemic. The bulk of these individuals were employed by Class I railroads. While targeted hiring campaigns and incentive programs to boost ranks are certainly welcomed, an ongoing exodus of highly-skilled and experienced employees is liable to undermine any forward progress.

More generally, we do not believe that a shortage of employees in the supply chain is a factor in current conditions. A workforce shortage implies that the workers needed to perform a job do not exist in the market. What we have today in our economy is the failure of employers to respond to market conditions and provide the incentives—wages, benefits, working conditions, that will attract the workforce they need. In addition to rail, proponents of the shortage explanation frequently cite trucking as an example of an industry where total employment is lacking despite best efforts. Yet, the 90% turnover rate for long-haul truckers speaks to a similar market response from drivers who are disinterested in long hours, low wages, and a difficult

working environment.⁶ As an example, port truck drivers working for XPO Logistics recently won a settlement of nearly \$30M after successfully arguing that they had been willfully misclassified under federal labor law, to deny them fair wages, benefits, and bargaining rights.⁷ The mistreatment faced by XPO drivers, operating in a key node of the supply chain, was hardly unique. The failure of an employer to incentivize its future workforce is not synonymous with a labor shortage, and the solutions are not interchangeable.

A Path Forward

As Congress and the administration continue to work to solve the ongoing challenges, and prevent future interruptions of this magnitude, we call on you to work closely with supply chain employees and their union representatives across the nation to develop long and short-term solutions to the supply chain crisis.

This must include considerations of the impacts of the drastic reduction in the rail workforce and degradation in service quality, how these factors have contributed to supply chain disruptions, and even if the manner in which railroads have chosen to operate is consistent with statutory common carrier obligations. We encourage the pursuit of long-term structural changes that will reverse the current path of the industry and return to the prioritization of long-term viability, high-quality service, and the creation and support of thousands of good jobs.

⁶ <https://www.cjdigital.com/economic-trends/article/15064753/driver-turnover-rate-holding-steady>

⁷ <https://teamster.org/2021/10/xpo-drivers-achieve-nearly-30-million-in-settlements-after-company-misclassified-its-workers/>

Solutions must also include robust and well-directed investments in our nation's freight infrastructure. To this end, TTD strongly applauds the enactment of the generational Infrastructure Investment and Jobs Act (IIJA). We thank President Biden and Vice President Harris for their leadership, Chairman DeFazio for his unceasing commitment to a revolutionary modernization of our nation's infrastructure, and the members of Congress who understood the importance and impact of passing the IIJA.

As policymakers and the private sector consider strategies to expedite the flow of goods at major ports, the \$2.2 billion the bill contains for the Port Infrastructure Development Program offers a lifeline to the nearly half of U.S. ports that state that better rail access could increase throughput capacity by over 25%.⁸ To achieve the greatest economic impact for IIJA, it is essential that the legislation is implemented in a way that sustains good-paying jobs while acting as an economic force multiplier throughout the supply chain.

Congress should also consider novel approaches to supply chain challenges that would create jobs and economic activity. For example, the expansion of waterborne transportation alternatives through our Marine Highways may alleviate symptoms of a supply chain bottleneck, particularly at major ports. Short sea shipping is the practice of commercial waterborne transportation utilizing America's Marine Highways and is a practical alternative to moving freight from major ports to its destination. Typically, cargos arrive at large U.S. ports aboard massive deep-sea vessels, are unloaded, and then transferred to trucks and rail carriers. A fully developed short sea shipping sector, utilizing smaller cargo vessels, would supplement and

⁸ <https://aapa.files.cms-plus.com/PDFs/State%20of%20Freight%20III.pdf>

complement services provided by rail and truck transportation and would provide shippers with an additional alternative to direct goods to their final destination. In addition, being able to use our waterways more consistently would create benefits for the U.S. maritime industry by creating good jobs aboard vessels and at ports and shipyards, while reducing port congestion.

We also call on you to reject ill-conceived efforts to hijack the crisis to attack supply chain workers and their industries. The pursuit of a more efficient supply chain cannot be an excuse to eliminate or deconstruct critical regulatory safeguards, such as fatigue protections, or to water down carefully crafted training and qualification requirements. In particular, we strenuously oppose legislation that seeks to amend long-standing labor law to deny collective bargaining rights. Transportation labor views any such efforts as an unwarranted and deeply misguided assault on employees in the supply chain who continue to work tirelessly to keep the economy and the flow of commerce moving.

TTD thanks the Committee for the opportunity to testify today on the significant challenges facing our supply chain. We look forward to continuing to work together to alleviate current congestion and to foster more resilient freight transportation industries well into the future.