



### Potential Vermont Impacts Due to Pending National Rail Strike

**Executive Summary:** Major U.S. Railroads and unions representing their employees, continue negotiations in hope of reaching new agreements. If an agreement is not reached by October 1, 2022, unions and workers plan to strike that day. According to the Vermont Agency of Transportation (AOT), all railroad companies within the state (New England Central Railroad Company (NECR), St. Lawrence and Atlantic, Proctor and Worcester) have active agreements that are not up for renewal, so these companies are not impacted by the ongoing negotiations and will not have a strike; however, sympathy strikes are possible. Vermont rail companies should not be directly impacted by a potential rail strike, however, since the national rail system is largely interconnected, secondary impacts from interchange sites and switching sites could bring challenges to the transportation of goods should the strike occur. Conversely, the interconnection of the national rail system will also serve as a potential solution to the majority of supply chain issues caused by a potential rail strike. Commodities are able to be routed around strike-ridden rail sections, and will make their way into Vermont, resulting only in minimal delays and potentially increased costs.

#### **Key Analysis:**

- Primary impacts from a rail strike will be greatly minimized due to the structure and ownership of the rail system in Vermont.
- It is likely secondary impacts could have impacts on the food and agriculture, energy, and transportation sectors. In addition, impacts from a rail strike could impact the emergency services sector, chemical, and the government facilities sector.
- The potential for additional adverse weather conditions due to a hurricane/tropical storm or winter weather could compound to present additional challenges.

#### **Key Points about the Rail Sector in Vermont:**

- As of 2018, 24% of the tons moved by rail in Vermont were inbound. 58% of the tons moved by rail in Vermont were just passing through.<sup>1</sup>
- As of 2019, 45.5% of commodities terminating in Vermont were petroleum products. 22.7% of products terminating in Vermont were nonmetallic minerals (things like rock salt).<sup>2</sup>
- Vermont's top rail trading partners, in order, are New York, Canada, Maine, and the South Atlantic region.<sup>3</sup>

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<sup>1</sup> Vermont Agency of Transportation. *Vermont Rail Plan*. May 2021. Page 24.

<sup>2</sup> Association of American Railroads. *U.S. Freight Railroad Industry Snapshot – Vermont*.

<sup>3</sup> Vermont Agency of Transportation. *Vermont Rail Plan*. May 2021. Page 25



## Vermont Homeland Security Unit Vermont Intelligence Center

**Impact Analysis:** The United States Freight Rail Network is comprised of almost 140,000 route miles and operates a nearly \$80 billion industry.<sup>4</sup> 52% of all freight carloads consist of bulk product commodities such as agriculture and energy products.<sup>5</sup> In Vermont, the transportation (rail) sector plays an essential role in the movement of goods moving 2,900,000 tons of freight in 2018.<sup>6</sup> The threat posed by the particular freight rail industries going on strike could have an impact on the following sectors:

- **Food and Agriculture Sector:**
  - 2,700 carloads (15.3%) of commodities terminating by freight in Vermont are food products (including things like grain).<sup>7</sup> Rail shipments can be rerouted through Canada from their originating facilities, however this could result in increased costs to the end user.
- **Energy Sector:**
  - Petroleum products account for approximately three-fifths of the energy consumed in Vermont<sup>8</sup>, with three in five Vermont households using fuel oil, kerosene, or propane to heat their homes, the largest share of any state.<sup>9</sup> According to the Vermont Fuel Dealer's Association, the majority of Northern Vermont is served by fuel originating from Montreal, while the southern portion of the state is served by fuel from the Port of Albany, Portsmouth, New Hampshire, and other Northeast locations via rail and truck. Potential impacts to sources for southern Vermont, could be mitigated by increasing quantity from Montreal. Current delivery methods from Montreal include trucks that can move 9,000 gallons of fuel per truck, and rail cars can move approximately 20,000 gallons per rail car, usually in a string of 10 or more.
  - While it's unlikely there will be a major impact as distribution methods remain flexible, a rail strike could cause increased costs due to increased trucking distances. In addition, due to increased driving distances the need for truckers to drive additional hours could be required.
- **Transportation Sector Impacts:**
  - Due to the structure and ownership of the rail system in Vermont, it is likely rail strikes will not have a primary impact within the state.
  - According to the Agency of Transportation, the rerouting of goods into Canada utilizing rail lines not impacted by rail strikes is possible. This will allow for the

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<sup>4</sup> Department of Transportation, Federal Railroad Administration. *Freight Rail Overview*.

<sup>5</sup> Department of Transportation, Federal Railroad Administration. *Freight Rail Overview*.

<sup>6</sup> Vermont Agency of Transportation. *Vermont Transportation Energy Profile – 2021*. March 2022.

<sup>7</sup> Association of American Railroads. *U.S. Freight Railroad Industry Snapshot – Vermont*.

<sup>8</sup> U.S. Energy Information Administration. *Vermont Profile Analysis*. Last Updated September 16, 2021.

<sup>9</sup> U.S. Energy Information Administration. *Vermont Profile Analysis*. Last Updated September 16, 2021.



## Vermont Homeland Security Unit Vermont Intelligence Center

continued transportation of goods into Vermont but may have an economic impact which is not quantified and unknown at this time.

- 8,000 carloads (45.5%) of commodities terminating by freight in Vermont are petroleum products.<sup>10</sup> Vermont's transportation sector consumes the largest share, accounting for nearly three-fifths of the state's largest petroleum use.<sup>11</sup> While it remains likely a rail strike will have no primary impacts to the sector, regional shipments of petroleum via rail could make the availability of petroleum for trucking decrease.
  - Around 95,000 passengers board or detrain at a Vermont station annually with around 80% utilizing the Vermonter.<sup>12</sup> Due to the rail companies and unions involved, it is likely the Amtrak Vermonter will cease operations as their route would be disrupted due to rail strikes.
  - 4,000 carloads (22.7%) of commodities terminating by freight in Vermont are nonmetallic minerals (like rock salt).<sup>13</sup> According to the Agency of Transportation, current stores of salt at VTrans sites and VRS sites are up to capacity and a rail strike would likely have no immediate impact on the response to adverse weather conditions. If the rail strike persists, the rerouting of salt through Canada may be necessary.
- **Emergency Services Sector:**
    - As outlined, current Vermont rail is likely to not participate in rail strikes. However, sympathy strikes are possible. It is possible these could take place in locations around the state and law enforcement could be called in should they become non-peaceful.
  - **Chemical Sector:**
    - 700 carloads (4.0%) of commodities terminating by freight in Vermont are chemicals.<sup>14</sup> Rerouting of rail shipments through Canada from originating destinations may be necessary which could increase costs.
  - **Government Facilities Sector:**
    - As outlined, current Vermont rail is likely to not participate in rail strikes. However, sympathy strikes are possible. With the State of Vermont having ownership of rail lines within the state, it is possible that sympathy strikes could take place at government sites to garner media attention.

<sup>10</sup> Association of American Railroads. *U.S. Freight Railroad Industry Snapshot – Vermont*.

<sup>11</sup> U.S. Energy Information Administration. *Vermont Profile Analysis*. Last Updated September 16, 2021.

<sup>12</sup> Vermont Agency of Transportation. *Vermont Rail Plan*. May 2021. Page 11.

<sup>13</sup> Association of American Railroads. *U.S. Freight Railroad Industry Snapshot – Vermont*.

<sup>14</sup> Association of American Railroads. *U.S. Freight Railroad Industry Snapshot – Vermont*.



## Vermont Homeland Security Unit Vermont Intelligence Center

### Additional Factors to Consider:

- On August 4, 2022, the National Oceanic and Atmospheric Administration (NOAA) announced that they still favor an above-normal 2022 Atlantic hurricane season in their mid-season update.<sup>15</sup> National, regional, or statewide supply chain impacts from a potential hurricane or tropical storm combined with a railroad strike could present impacts to sectors including food and agriculture, transportation, and energy.
- While it remains unlikely a long-term strike would remain in place, adverse winter weather could present an additional logistical challenge. A significant snow and/or ice storm could delay and/or cancel trucking routes which often complete the final delivery of goods and services.

**Conclusion:** The Homeland Security Unit and the Vermont Intelligence Center assess with high confidence that the overall impact to Vermont from the pending rail strike will be low to medium, with the largest impact being increased prices for the end user. The Agency of Transportation and Private Sector entities have already tested rerouting of supplies by rail via Canada with good success. Although the rerouting of commodities around affected entities may cause a slight delay in supply chain, presently there is enough resources within the state to endure that delay with minimum impact. Extended duration of the rail strike beyond 30 days would necessitate reevaluation on the overall impact to the state.

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<sup>15</sup> National Oceanic and Atmospheric Administration. *NOAA still expects above-normal Atlantic hurricane season.* August 4, 2022.