"Precision Scheduled Railroading” brings layoffs and cuts to US railroads

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Railroads in the United States have announced or begun the layoffs of thousands of railroad workers, alongside the closure of facilities and a reduction in assets. The actions come under the moniker of “Precision Scheduled Railroading,” (PSR), a corporate operations policy that is the darling of Wall Street, as it extracts short-term gains in the financial performance of the railroads.

Last week, Norfolk Southern announced that it intended to reduce headcount by 500 in 2019, and up to 3,000 by 2021, while it would idle 500 locomotives by 2021. On Wednesday, February 13, Union Pacific announced it would lay off 250 employees, mostly at its Omaha, Nebraska, headquarters. Since fall of 2018, it has furloughed (temporarily laid off) 450 mechanical workers, as engine shops in Butler, Wisconsin; Hinkle, Oregon; El Paso, Texas; South Morrill, Nebraska; and Pine Bluff, Arkansas, have been closed or cut back.

Union Pacific laid off 500 workers in 2018, mostly in management, as well as 200 contractors; in 2017, it cut 750 jobs, chiefly in Omaha. Meanwhile, Union Pacific’s announcement in January that it would implement PSR in the “Unified Plan 2020” boosted its market value by $9 billion in one day.

The industry-wide cutbacks are not due to a loss of traffic, or a lack of profits. Traffic volume was up 1.1 percent in January 2019 compared to January 2018, and the shortage of drivers in the trucking industry would be a source of traffic if the railroads cared to obtain it. In 2018, each of the four largest US railroads—Union Pacific, Norfolk Southern, CSX, and BNSF—usually made over $1 billion in profits per quarter.

Instead, the central focus of PSR is to “sweat the assets” of a railroad, by reducing the headcount, idling locomotives and equipment, closing shops and facilities, reducing maintenance, curtailing service, and selling off routes. The stock market joyfully responds to every cutback, pumping the stock price up in the short term, while the physical infrastructure decays, morale sours, and customers are chased away.

The policy was first implemented in the early 2000s at Canadian National, under the direction of E. Hunter Harrison. He retired for a time with $40 million in benefits but was then installed as CEO of Canadian Pacific Railroad in 2012 after a push by Pershing Capitol Management. Under his tenure, he cut employment from 15,000 to 12,000, while implementing widely hated policy changes for operating employees.

In 2017, activist fund Mantle Ridge installed Harrison as CEO of CSX railroad, handing him $84 million up front to implement PSR and boost the stock price of the railroad. CSX is one of four major railroads in the United States, and as the WSWS noted at the time, “his installation at CSX marks a turning point, as it signifies that whatever cuts are achieved will set the national pattern, with Wall Street demanding the same from workers at the other major US railroads—Union Pacific, BNSF, and Norfolk Southern.”

For railroad workers, PSR is more like a spreading virus that, no matter how disastrous its results have been, continues to spread from railroad to railroad. Harrison died in December 2017, but since that time, Norfolk Southern, Union Pacific, and Kansas City Southern have adopted the PSR policies and begun or announced cutbacks. BNSF, which is privately owned, is now the only large railroad that is not openly implementing PSR, although it has made operational changes that harshly impact operating crews and dispatchers.

In each case, these railroads announce that PSR will lead to “operational efficiencies” and “better service,” with the financial and trade press providing universal praise. It is a preposterous, proven lie. The concept of PSR is that railroads can do more with less—they can get rid of workers, reduce maintenance, close repair shops and sorting yards, cut train frequency, and supposedly provide better service while still making more money. Only the latter is true, and only for a short time—until the long-term consequences emerge.

When CSX implemented these policies in 2017, service to customers plummeted so drastically that the industry-friendly Surface Transportation Board was pushed to criticize the delays and demand regular reporting on performance. Meanwhile, CSX invented its own metrics for measuring its performance that didn't match the rest of the industry, making it impossible to determine how bad it had gotten.

The railroads are a near-monopoly form of transportation in many cases, as many shippers only have access to one railroad and are therefore stuck with whatever rate and service (or lack thereof) the railroad wants to provide. Over recent decades, the railroads have sought only the most profitable traffic, a tendency that PSR emphasizes.

The policy works to make railroad operations "efficient" only in the sense of how the railroad can spend as little as possible to provide service. For example, they may cut a train that provides the only service over a route, and instead reroute traffic hundreds of miles out of the way on another higher-traffic route to consolidate operations, in an effort to save on crews and shutter trackage. Yet the customer sees transit times that take days or even weeks longer.

Another method is to run fewer trains that are longer and heavier than ever before and save on the reduction of crews and locomotive usage—assuming that massive trains don't suffer more frequent problems that cause more frequent delay. Traffic gets held for longer amounts of time for the fewer, more "efficient" trains that do run, which adds to transit time.

If customers complain about the service, the railroad might decide they aren't even worth the trouble—the emphasis is on the highest-margin traffic that the railroad can run with the lowest costs, and in effect, customers are chased away. In 2017, when CSX implemented PSR, its total yearly carloads fell by 1.4 percent compared to 2016, with almost every type of traffic showing declines, yet the stock price doubled. That feeds into the cycle that allows further reduction of employees, equipment, and maintenance.

For railroad operating employees, the PSR rampage across the industry has only deepened the endlessly unaddressed issues: continual attempts to reduce employees, seasonal furloughs, utterly unscheduled job assignments, the contracting out of jobs, dangerous conditions during work and travel, rising health care costs and intrusive, intimidating management practices. Through all of this, the railroad unions have stopped nothing, and continue to push rotten, sellout contracts.

At CSX, engineers, conductors, machinists and others who faced a regime of harassment as PSR was implemented did not find their unions contesting new interpretations of work rules or the push for hourly pay. In the absence of an organized fight, workers felt the only thing they could do was to keep their heads down until the storm passed, but PSR has continued to rage across the industry.

If railroad workers are to defend their jobs and conditions, they must form rank-and-file committees, independent of the existing unions, that can unify rail workers across North America with teachers, autoworkers, UPS delivery drivers, Amazon warehouse workers and other sections of the working class fighting against the decades of cuts and rapacious dictates of Wall Street.