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Democracy Dies in Darkness

Railroads are slashing workers, cheered on by Wall Street to stay profitable amid Trump's trade war

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ROANOKE — Jeff Hollandsworth was told to do something recently that he had never done before in his many years working for Norfolk Southern Railway: Empty lockers.

Norfolk Southern has let more than 3,500 employees go in the past year, including 175 in Roanoke, part of an aggressive push across the railroad industry to slash costs.

As Hollandsworth cut the locks and removed his former co-workers's coats, hats, power tools and hefty company rule books, he couldn't shake the feeling that the layoffs were different this time. Unlike in the past, his colleagues probably won't be coming back.

"When you go to work now, it's like going into a funeral home," Hollandsworth said. "What three people used to do, one person is doing now."

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While the U.S. economy overall is growing moderately, the railroad industry is a cautionary sign of the ongoing pain in the industrial sector and the deep structural changes underway in the economy that are eliminating middle-class jobs.

President Trump's trade war has hit agricultural and manufacturing hard, causing lower demand for companies that move freight. But railroad stocks soared in 2019 after rail executives embraced automation and cost cutting to remain profitable, doubling down on the idea that rail's future entails longer, faster trains and fewer workers.

Over 20,000 rail workers have lost their jobs in the past year, the biggest layoffs in rail since the Great Recession and a nearly 10 percent decline in rail employment, according to Labor Department data through November.

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Volumes are down so much on major American railways in the past year that some economists say the nation is in the midst of a "freight recession."

Freight declines have typically foreshadowed trouble for the broader economy since they're a barometer of how much stuff is heading to market. Every economic downturn since World War II has been precipitated by nose-diving freight traffic. But there have also been periods such as 2015-16 when manufacturing, trucking and rail suffer, but the rest of the economy keeps growing.

Today's rail slump is partly a fallout from the trade war and partly the result of long-term trends like the United States becoming less reliant on coal, experts say. But the employment losses are being exacerbated by the industry's embrace of new technology and a newly efficient technique of directing rail traffic known as Precision Scheduled Railroading, or PSR, that is transforming the economics of the business.

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"I've never seen conditions like this in my 45-year career," said Jim Blaze, a railroad

economist. “I’m calling this a freight recession for the railroads and trucking companies, but there’s this uncertainty from trade. This cloud. This fog. It’s hard to predict if we’ll slide into an overall economic recession.”

November marked the 10th straight month that rail freight deteriorated from last year’s stellar traffic levels. Rail freight carloads were down 7.4 percent this November versus the prior year, according to closely watched data from the Association of American Railroads. The volume decline is similar to what occurred at the end of 2015, although the job losses are worse.

But now, rail industry leaders are cautiously optimistic. They foresee a rebound once Trump finalizes the trade deals with China, Mexico and Canada and if he subdues his “tariff man” instincts in an election year.

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“For our industry, trade has become just a huge part of what we do. Probably in the range of 35 to 45 percent of our business,” said John Gray, senior vice president of policy and economics at AAR, the industry’s main trade group.

But even if Trump's trade war ebbs, many of the $70,000-a-year conductor and maintenance jobs are unlikely to return.

The rail industry, which once employed over a million Americans, fell below 200,000 employees in 2019, the first time that has happened since the Labor Department started keeping track of railroad employment in the 1940s.

"We fundamentally changed the way we operate over the last 2.5 years," said Bryan Tucker, vice president of communications at CSX. "It's a different way of running a railroad."

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A Norfolk Southern spokeswoman said the company was focused on increasing efficiency and profitable growth and that "as our business changes, so too do our personnel needs." Union Pacific stressed the environmental benefits of moving goods by rail instead of truck.

Even if business bounces back, the industry embrace of PSR promises to hold down the need for more workers. Freight railroads used to run trains carrying just one type of good, and the trains could sit in yards for hours or days until they had enough of a load to justify departing.

Now, after PSR, railroads are running more trains with mixed goods and on a set schedule that leaves no matter what. The goal now is to minimize stoppage and use the same locomotive and crew as much as possible, akin to the way the same airplane shuttles constantly between Washington, D.C., and New York City.

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Rail executives say these changes are delivering more reliable service that can better compete against trucks. PSR is aided by new technology such as drones and artificial intelligence to monitor tracks and send customers alerts about train locations.

But PSR is also causing railroads to turn away some business that isn't profitable enough, says Peter Swan, associate professor of logistics at Penn State Harrisburg. Some routes are now gone or downsized.

"Shareholders at railroads are looking at the financial success of PSR and now every single big railroad is trying to adopt some form of this," Swan said. "If you're trying to save money, you cut people like crazy."

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Canadian railroads embraced PSR over a decade ago. The strategy has taken hold among major U.S. freight railroads since 2017, as executives hunted for a way to increase profits to make up for shrinking coal traffic and the recent downturn in the industrial economy.

Wall Street has applauded the changes, signaling this could be a model for other industries that encounter rough times. Norfolk Southern and Union Pacific stocks were up 30 percent last year, and Kansas City Southern's shares were up more than 60 percent. The gains were better than the overall market.

Roanoke looked like a parking lot for locomotives just before Thanksgiving, an unusual site at a time of year that is typically the peak shipping season. Workers say the peak never came in 2019.

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The seven major freight railroads have idled nearly 30 percent of locomotives in the past year, according to the economist Blaze, as they aim to run fewer — but longer — trains.

Hundreds of black locomotives baring the Norfolk Southern logo are parked back-to-back on the tracks that run through the heart of Roanoke.

Workers in this longtime railroad hub are on edge, saying this feels different from past rail downturns. Now the cuts are happening to people with up to a decade of seniority. And maintenance and repair workers in rail yards — long considered some of the most secure roles — are also being let go.

David Earick had eight years of seniority with Norfolk Southern in Roanoke as a pipe fitter, a job similar to a diesel mechanic.

Earick lost his pipe fitting job in April but opted to take a pay cut to continue working as a rail yard laborer. Then Norfolk Southern eliminated that role in September.

“I was told this furlough was indefinite. You’re not getting a callback,” said Earick, who is 32. “My wife’s freaking out. We just had our first child in July.”

Earick said he used to love his job. “People always thought it was the coolest thing when you told them you worked on a locomotive,” he said, but now he’s job hunting.

Rail workers rarely speak to the media out of fear of losing their jobs, but more than a dozen spoke with The Washington Post, mainly because of concerns over how PSR is changing the industry in ways they say causes unnecessary job losses and creates an unsafe environment.

“It’s always been do more with less, but now it’s do more with less to the absolute extreme,” said a conductor in Eastern Kentucky who did not want to be named for fear of retribution by CSX.

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While layoffs have occurred in nearly all facets of the railroad business, the biggest cuts have been from the conductor and maintenance ranks, according to detailed monthly data the seven major freight railroads provide the Surface Transportation Board.

Rail executives say PSR enhances on-time delivery for customers. They point to a safety record that shows the industry is far safer today than it was two decades ago, although there have been several major derailments in recent weeks.

“What they [customers] are getting in terms of service quality today is off the chart,” James M. Foote, president of CSX told investors at a November investment conference in Tennessee. He pointed to “dramatic” improvement in on-time delivery to about 90 percent, up from around 50 percent before PSR.

Multiple rail executives took the stage at the Stephens Nashville Investment Conference last month to stress that while rail volumes were down, employee head count and other costs were down even more, ensuring the companies remained highly profitable.

Norfolk Southern saw a 6 percent volume decline, but crew costs were down by 13 percent, said Alan Shaw, the company’s chief marketing officer. He called it “good productivity” and said the company was “accelerating” this strategy heading into next year.

Another key part of the efficiency push is running longer trains. The average train length has increased 25 percent since 2008 to about 1.4 miles, according to a Government Accountability Office report published in May.

Workers across the country report an increase in hitching two trains together on their routes.

“They found they can hook two trains together and cut a crew,” said a Union Pacific engineer based in Cheyenne, Wyo., who asked not to be named out of fear for his job.

He recalled a recent episode when “there was one with 220 cars, about 3 miles long. It was enormous and only had two people” working it.

A Union Pacific spokeswoman said the average train length is about 1.5 miles.

Workers say they are concerned that radio signals sometimes go down between the front and back of long trains and that Americans don’t like waiting for long trains to pass.

“We’re seeing trains that are 2.5 miles long on a daily basis,” said Jeremy Ferguson, president of the SMART Union (short for International Association of Sheet Metal, Air, Rail and Transportation Workers). “It’s a huge issue. It’s very difficult for the operating crews and the towns and cities we operate through. It’s unsafe to have rail crossings blocked so long.”

Negotiations are currently underway between the major rail unions and companies.

Some freight carriers would like to cut down the typical personnel on a freight train from two (a conductor and engineer) to one. Fully automated freight trains began running in Australia about a year ago, a possible precursor of what’s to come.

“I’ve been one of the fortunate few who have never been laid off,” Hollandsworth said. “Now I go in every day wondering if this is it.”