PSR: Shipper Complaints Up; Freight Traffic and Rail Employment Down

No doubt about it, the majority of shippers by rail are unhappy with the new level of service they are receiving since the major carriers went full speed ahead in their rollout of Precision Scheduled Railroading (PSR). And rail employment has fallen nationwide by nearly 5% since winter 2017 when PSR was instituted at CSX. No craft or union was spared from furloughs and layoffs, with certain crafts and specific terminals decimated. Simultaneously, freight traffic has declined in practically all commodities across the board. Even intermodal, once considered a guaranteed growth sector for rail, is down on all U.S. carriers. And all of this comes at a time of low unemployment, economic expansion, and a general increase in the movement of freight.

The numbers are disturbing to say the least. At a time when the looming environmental crisis has the potential to elevate rail to a position of prominence, traffic is tanking. With the nation’s overcrowded and crumbling highways crying out for relief - relief that a modern, efficient rail system could provide, workers are being dismissed, locomotives sidetracked, and shippers fleeing the industry, preferring trucks and highways to rail.

Shipper Complaints. From forest products to agriculture, shippers across the board are unhappy with the new service offered by PSR. Lack of rail cars available when needed, failure to deliver on promised transit times, a massive increase in demurrage charges, fines for holding rail cars longer than a day or two at their facilities have all combined to earn Class One railroads the ire of their customers. With freight traffic well below 2006 peak year levels, and most commodity groups in a state of decline after a decade of investment in track, signals and other infrastructure, these complaints can only be explained by the failures of PSR.

Rail Employment. In a growth economy, one that has seen rail employment expand since the end of the last recession, one would expect to see its continued growth. But that is not the case, as railroad jobs have been on the decline in recent years, accelerating in 2019 as UP, KCS, and NS, join CSX and CP and CN in the rollout of PSR.

Freight Traffic. While freight traffic has rebounded since the Great Recession, it has been a mixed bag, and never has the freight industry moved as much traffic as it had in the peak year of 2006. With increased fuel prices, a chronic truck driver shortage, new laws governing the trucking industry, billions invested in new rail technology, track, signals and locomotives, one might expect freight traffic to be booming in recent years. It has not. And now in 2019, it has tanked altogether. While other factors quite likely come into play, PSR no doubt deserves at least partial blame for this sad state of affairs. There is speculation that the trade war with China, combined with a general cooling of the economy and looming recession, may all be contributing factors to this decline in traffic. But PSR definitely shares a chunk of the blame. The operating plan itself makes no bones about the fact that “less is more”, and has the numbers to prove it. PSR does not tout increased freight traffic, employment, customer satisfaction, capital investment, or train speed among its metrics to measure success by. All of the Class One railroads that have gone the way of PSR measure success solely by short-term economic performance. As such, they are doing what they have set out to do, achieving record low operating ratios, record stock prices and record profits. Wall Street is very happy with PSR, even if nobody else is.