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# The rail industry is changing. A small Texas town is fighting back

A lawsuit between Palestine, TX and Union Pacific is emblematic of larger changes that have reshaped rail over the past few decades.



A Union Pacific engine sits on the track close to the Union Pacific Railroad building on Thursday, March 28, 2024, in Palestine. Less than 100 railroad workers remain in Palestine as train companies have slashed workers and instituted efficiency measures such as Precision Scheduled Railroading, a controversial industry trend that some have blamed for a stagnating safety record and traffic delays. (Juan Figueroa / Staff Photographer)

By [Amber Gaudet](#)

7:00 AM on May 21, 2024



On a sunny April day, Harris Lohmeyer perches on the railing of a small gazebo and watches as two men in yellow vests and hard hats walk the railroad tracks across Spring Street. A noon whistle reverberates through the quiet downtown, signaling the end of lunch for the rail workers.

It's a familiar sight to Lohmeyer. He's retired now, but he spent four decades working for Union Pacific. And he's not alone.

## Why This Story Matters

**Union Pacific jobs that could be lost in Palestine are some of the highest paying in an East Texas county with a per capita income of just over \$23,000. The losses could devastate the town's economy, officials and business owners say, and reflect larger changes that have reshaped railroads over the past few decades.**

“Anybody you meet in Palestine, chances are good they have kin folks who worked for the railroad,” Lohmeyer, 69, says.

For as long as he can remember, Palestine, Texas, has been a rail town. The Union Pacific railyard, once home to more than 1,000 rail employees, butts up against the city marker. Nearby Reagan Park boasts an assortment of train-themed playground equipment, a dwarfed steam engine splash pad spurting water out of its chimney on hot summer days. Replica cabooses dot storefronts downtown, signifying membership in the local chamber of commerce. Just up the

road from the railroad museum, a brick path in a pocket park memorializes centuries of service from carmen and passenger agents.



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Equidistant from Shreveport, Dallas and Houston, the east Texas city is a major interchange point for state rail, with main lines running south to the border of Mexico. In 1872, Palestine and Anderson County raised \$150,000, about \$5 million today, in bonds for the Houston and Great Northern Railroad Company, a distant corporate predecessor of Union Pacific. In exchange, the railroad agreed to build a depot and “forever thereafter keep and maintain” its headquarters, machine shops and roundhouses in Palestine.

But “forever” didn’t last.

Now there’s a battle that has landed at the steps of the Texas Supreme Court.

How we got here is clear: The past 150 years have remade the rail industry. The Houston and Great Northern Railroad Co. is gone, swallowed by mergers and acquisitions. The railroad’s headquarters have moved from Palestine, too. Train companies have slashed workers to maintain profit margins and instituted efficiency measures such as Precision Scheduled Railroading, a controversial industry trend that some have blamed for a stagnating safety record and traffic delays.

Today, less than 100 railroad jobs remain in Palestine. Soon, those too could be gone.



Union Pacific trackmen work at the Union Pacific Railroad rail yard on Thursday, March 28, 2024, in Palestine. Less than 100 railroad workers remain in Palestine. (Juan Figueroa / Staff Photographer)

## The lawsuit

In April 2021, Union Pacific met with Palestine employees to deliver the news: the freight car repair shop would close in 60 days, and their jobs would be eliminated.

The closure was part of its improvement plan to implement precision scheduled railroading principles across its system, the [Palestine Herald-Press and other media reported](#). Union Pacific can “conduct its work more efficiently in other locations” rather than sending freight cars thousands of miles out of the way for repair to the “severely outdated” Palestine shop, the company argues in court filings.

Railroad executives herald “PSR,” as it’s known in the industry, as a practice that increases efficiency. While rail executives, regulators and industry critics argue the semantics of the practice, it generally works like this: rather than trains departing after shippers have filled them as they long had, rail companies now run trains under strict schedules that they dictate.

Those trains are often much longer than they used to be — stretching on for 2 or 3 miles — and the operation is streamlined, typically run and maintained by fewer employees. The focus is on maximizing efficiency and [it has led to record profits](#). Since late railroad executive E. Hunter Harrison introduced PSR in 1993, the largest railroad companies in the U.S. have adopted it in some form.

“Railroads like PSR because it increases asset utilization, improves service reliability and is a more efficient way of operating. But railroads aren’t the only ones who benefit,” Union Pacific’s [PSR webpage reads](#). “Customers can expect more reliable, consistent and faster rail service that will in turn help them strengthen their overall supply chain and reduce costs.”

Union leaders, shipping customers, regulators and other critics point to downsides. Longer trains can halt emergency response vehicles at crossings as critical minutes tick by. Heavier trains run slower, blocking crossings for longer. Children have taken to [climbing through trains](#) stopped on the tracks to get to school.

“If you put the Empire State Building on its side and then added 11 more Empire State Buildings, that’s about how big some of these trains would be,” U.S. Secretary of Transportation Pete Buttigieg [said during an April press briefing](#).

The Norfolk Southern [train that derailed in East Palestine](#), Ohio, in February 2023 was 150 cars long. Investigators did not cite the length of the train as a direct cause of the derailment, but a [ProPublica report](#) indicated PSR principles could have been a contributing factor in a similar derailment.

Longer trains present [more operational complexities](#) at a time of widespread job cuts across the rail industry. Staff levels at Class I railroads, the largest, declined

about 28% between 2011 and 2021.

Lohmeyer remembers when precision railroading became a popular concept. He worked in the car shop for 40 years before retiring in 2015.

“When I left we had nearly 100 people — they actually added people because our safety was excellent, production was great,” Lohmeyer said. “And then all of a sudden precision railroading comes in and one day we wake up and they cut off 30 people.”

The April 2021 announcement was the latest in a series of attempts by Union Pacific to close the Palestine shop. In 2019, the company filed a federal lawsuit arguing the contract restricted interstate commerce, which is preempted by federal law.

The Eastern District of Texas agreed, as did the Fifth Circuit Court of Appeals. The Texas Supreme Court declined to hear the case, leaving the ruling in Union Pacific’s favor to stand. But a case centering on a separate state court judgment that ordered the company to comply with the contract has yet to exhaust all appeals.

In February, an appeals court in Tyler [ruled the federal law preempted both the contract and the judgment](#), but the city and county hope the Texas Supreme Court will agree to hear the case and overturn the decision.

It’s the last avenue left to hold Union Pacific to the contract keeping jobs in Palestine.



The Palestine car shop at the Union Pacific Railroad rail yard on Thursday, March 28, 2024, in Palestine. (Juan Figueroa / Staff Photographer)

## The railroad comes to town

In the years following the Civil War, cities like Palestine that had felt the economic sting of Reconstruction vied to become the sites of rail lines. Makeshift towns cropped up along tracks where they could be connected with goods, transportation and entertainment.

A Palestine committee attended a railroad convention in nearby Tyler in 1866. Two decades later, Palestine — by then dubbed “The Queen City” — was unrecognizable. The city’s population almost quadrupled to nearly 8,300 between 1870 and 1890.

Victorian homes sprung up in residential neighborhoods while ornate buildings replaced clapboard structures downtown. A railroad hospital and YMCA were built. Citizens donned the latest fashions from New York and Paris and an opera

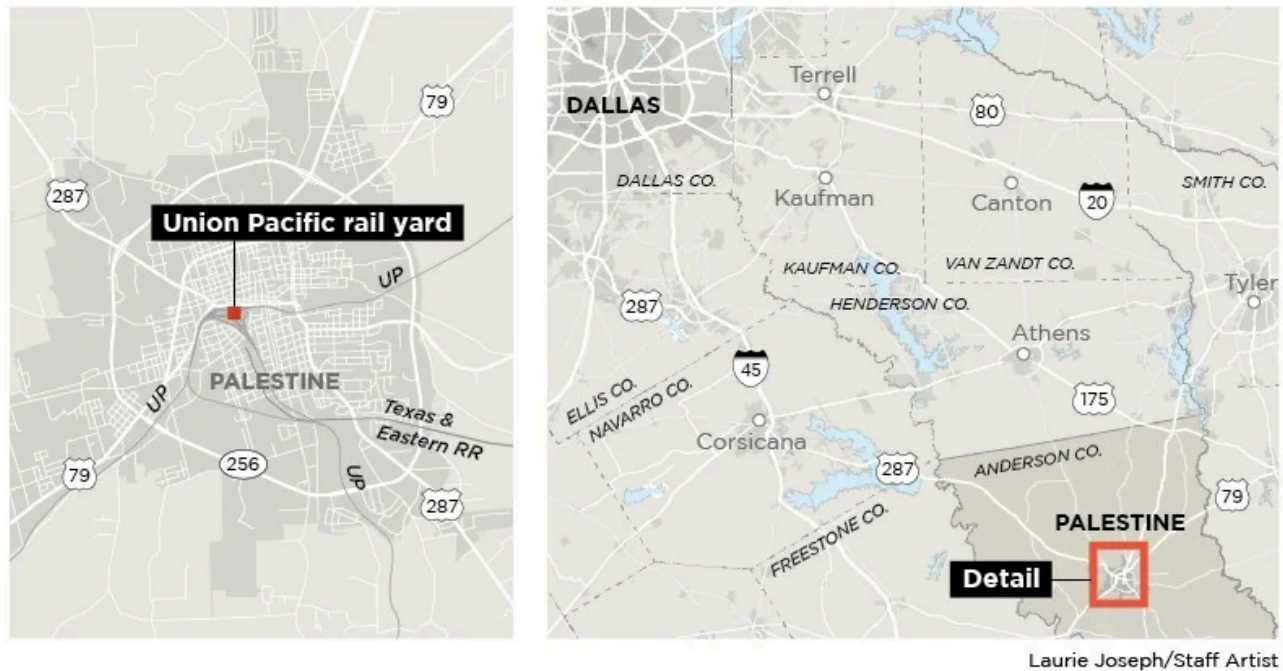
house hosted troupes brought in by rail. It became the second city in the state, after Galveston, to get electricity.



[[Palestine Railroad Mansion](#)] hosted by [The Portal to Texas History](#)

The Houston and Great Northern Railroad Co., which merged with the International Railroad Company two years later to form the International & Great Northern Railroad, got bond money and land from the city, county and private citizens in return.

Palestine serves as an interchange point, with lines running south to Houston and Laredo and connecting to short-line railroads like the Texas & Eastern, which serves Anderson and Cherokee counties.



In the late 19th and early 20th centuries, shop agreements like the one in Palestine were common. But the height of rail gave way to the Great Depression and the widespread adoption of the automobile and airplane for long-distance travel. Rail companies dropped passenger service and filed for bankruptcy.

Among the bankrupt railroad companies was Missouri Pacific, which had acquired the International & Great Northern Railroad Co. in the 1920s. As part of a two-decades-long bankruptcy proceeding, Missouri Pacific renegotiated its shop agreement with the city and county in 1954, allowing the company to relocate its headquarters but keep 4.5% of its workforce in Palestine.

Decades and several mergers later, Union Pacific assumed ownership of the contract. The workforce in Palestine had dwindled as mergers forced recalculations, with the railroad today maintaining just .52% of its employees in the shop. It's one of only two car shops on the Union Pacific Railroad that perform heavy modifications and repairs to freight cars.

Shep's BBQ has seen business decline as the workforce has dwindled. Owner Bruce Barrett, who has been at Shep's for 39 years, remembers when local restaurants like his would cater meetings at the railyard for more than 100 people nearly every month.

“Now it's just during the holidays you get a catering [order] from them, and it's maybe 30 guys,” Barrett said.



Bruce Barrett, owner of Shep's BBQ & Catering in Palestine, Texas, serves lunch customers Thursday, March 28, 2024. He's seen business decline as rail workers have been eliminated in Palestine. (Juan Figueroa / Staff Photographer)

With average salaries around \$65,000, according to local government officials, the 57 jobs are some of the highest paying in a county with a per capita income of just over \$23,000.

“It's going to affect our convenience stores, grocery stores, because everything is about recycling money in a small town — you see the same faces two or three times a week,” Barrett said. “Even if they get another job, they'll have to watch the

budget because they won't be making the same salary as they were making. The only other thing is the prison system as far as jobs here.”

The car shop is among the [top 20 employers](#) in the city of 18,000.

“The city of Palestine has basically built its whole reputation on the Union Pacific Railroad,” Mayor Mitchell Jordan said. “This is what we are known for — trains are what made Palestine Palestine.”



Informative plaques and a model Union Pacific car on display in front of the Union Pacific Railroad rail yard on Thursday, March 28, 2024, in Palestine. (Juan Figueroa / Staff Photographer)

## ‘Cost-cutting measures’

In many ways, Palestine looks like any other town subject to the changing winds of industry. Despite its singularities — shop agreements have long been mostly extinct — some locals view the Palestine shop closure as a microcosm of the changes precision railroading has brought.

Increasing workforce reductions have caused railroad union leaders and regulators to raise red flags. Mechanical department employees (workers responsible for maintenance and inspections) at Class I freight railroads have been cut 41% since 2015, the Transportation Trades Department told the Federal Railroad Administration in a [February letter](#). The letter followed a BNSF Railway furlough of 362 mechanical department workers and urged the agency to address what they characterized as unsafe industry practices.

Unions had received “numerous reports that Shop Craft workers were being instructed by railroad managers not to perform federally required safety inspections of locomotives and rail cars, to ignore the findings and reporting of defects, harassed to perform inspections in impossibly short time frames, and that the workers have even been instructed to fabricate federally required inspection reports at shops across BNSF,” the letter said.

BNSF has denied the allegations.

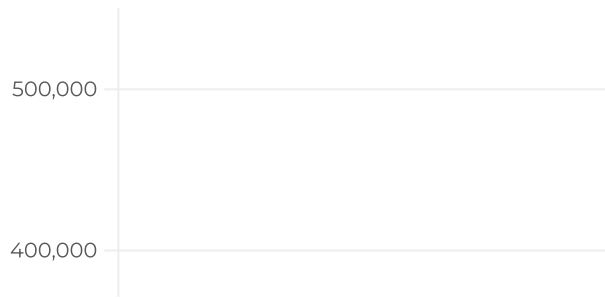
The head of the Federal Railroad Administration sent a letter to Union Pacific in February following its furloughs of maintenance workers, accusing the company of “prioritiz[ing] cost-cutting measures over ensuring safe operations, jeopardizing the well-being of both UP’s workers and the public.”

“We’re very concerned about the slashing of the workforce,” Buttigieg told *The Dallas Morning News* in April. “I think common sense would tell you that the wholesale stripping away of workers from the railroad sector that’s taken place over the last 10, 20 years has correlated with stagnant and in some cases, worsening safety results.”

Both BNSF and Union Pacific have said recent furloughs are part of normal responses to volume demands and denied any relationship between workforce reductions and safety.

## Railroad employment

Employment in rail transportation, January 1980–December 2020, seasonally adjusted



SOURCE: U.S. Bureau of Labor Statistics  
GRAPHIC: Laurie Joseph

**The Dallas Morning News**

There are other reasons for railroad workforce reductions, according to Allan Rutter, freight practice leader at the Texas A&M Transportation Institute. Advancing technology has shifted some manual work to automation, like using cameras and sensors to detect track issues and monitor cars. The freight industry has been in a slump — compounded by a shift in energy policy — that makes efforts to reduce costs more urgent.

“I think the simplest thing to say is that UP, like other Class I railroads, is under pressure from investors to keep their operating ratio as low as possible, which usually means reducing expenses,” Rutter said. “And part of that is reducing headcount.”

That shift has led to railroads outsourcing work like freight car repair to third-party companies to save on labor costs.

In places like Palestine, the cuts are personal. Lohmeyer raised more than \$30,000 to cover legal fees so a group of private citizens could be represented as a party to the lawsuit. At the time of the initial agreement, Palestine residents gifted land to the railroad, according to group members. The current group is a stand-in for the original landowners and any descendants, who couldn't be located.



Harris Lohmeyer, a now retired Union Pacific employee, drives near the Pacific Railroad rail yard on Thursday, March 28, 2024, in Palestine. (Juan Figueroa / Staff Photographer)

“The citizens gave almost 6,000 acres of land to the railroad to get them to come here,” said Steve Presley, former mayor of Palestine and head of the citizen group. “If they’re getting out of a contract, they shouldn’t be able to get out without at least figuring out how to give us back some of the benefits that we’re losing.”

## ‘Just good railroading’

Rail customers and union leaders say job cuts and the wider industry shifts brought on by precision railroading have led to poor service and safety concerns. After complaints from rail customers and reports from the Secretary of Transportation, Secretary of Agriculture and members of Congress, the Surface Transportation Board called a two-day hearing about “urgent” issues facing the industry in April 2022.

Data showed trains had gotten slower and were sitting longer at terminals, despite fewer carloads traveling through the system. Fuel-saving throttle restrictions and other operating rules made maintaining speeds impossible for the remaining rail operators, union leaders said. [Customers including farmers and ranchers](#) who rely on rail for feed and other critical supplies complained of late pickups and deliveries and a culture of retaliation for reporting issues.

While executives blamed the COVID-19 pandemic, railroad workers and customer industry groups said precision railroading was the culprit.

“This is not a pandemic-related issue. We’re dealing with years of cuts that have gutted the rail network that’s making these service issues inevitable,” Chris John, president and CEO of the American Chemistry Council, said during the hearing. “Precision scheduled railroading is just doing less with less.”

Railroad companies have defended cuts as part of regular demand fluctuations and denied any relationship between staffing levels and safety. BNSF vice president of communications Zak Andersen said the February furloughs were primarily of “back shop” employees who did major repairs rather than those responsible for minor repairs and inspections. BNSF also [eliminated several hundred](#) management positions in March.

Andersen said the company’s operational model is based on “growth,” not precision railroading. All seven [of the largest railroads in the U.S. have said](#) they are running longer trains in the name of increased efficiency.

“Some of PSR is just good railroading so it doesn’t really matter how you get there, but it’s trying to get the best utilization out of your assets,” Andersen said.

Inspection lapses were short-lived and due to a winter weather event, and BNSF is current on federal inspections, according to Andersen.

Whether rail companies publicly shy from using the term “precision railroading” or not, most are not immune to the larger industry shifts the practice has precipitated.

“That’s [PSR is] shorthand for the very real pressure Class I management feels from their investors,” rail industry researcher Rutter said. “Whether you call it PSR or not — the label may be misplaced, but the pressure is real.”

Union Pacific did not grant interview requests or respond to emailed questions about the relationship between precision railroading and their fight to eliminate jobs in Palestine, [though a previous statement linked the two](#). In a March email, the company said they aim to be “the industry’s best in safety,” pointing to a reduction in injuries last year and nearly \$2 billion earmarked for infrastructure replacement.

“Last year, there were zero work-related fatalities, a 15% reduction in serious injuries for employees and a 6% reduction in serious derailments, compared to 2022,” the statement read in part. “While safety will always be our first priority, we are committed to enhancing service and delivering what we sold to our customers. Rail is essential to the Texas and U.S. economy and as we continue to modernize, we constantly review operations.”

Railroad executives and lobbyists say the railroad is safer than ever. A March statement by the Association of American Railroads cited a “safety-centered approach” that has driven “the train accident rate down 27% since 2000 and 6% since 2022” and led to a decline in employee fatalities and injuries.

Union groups have [accused the industry of manipulating the data](#) to compare recent safety trends to those from an industry low point and citing the absolute number of derailments rather than rates, given the trend of running fewer but longer trains.

The industry has pushed back against attempts to regulate safety. Four railroads, including Union Pacific and BNSF, [asked federal appeals courts](#) to throw out an April 2024 Federal Railroad Administration rule requiring two-person train crews in most circumstances.

The Association of American Railroads said there was a “lack of evidence connecting crew size to rail safety.” The group has also [opposed provisions of the congressional Rail Safety Act](#) like broader manual inspections and expanded hazmat transportation requirements. The bill is stalled in Congress.

Following the April 2022 hearing, the Surface Transportation Board ordered the four largest Class I freight rail companies — BNSF, CSX, Norfolk Southern Rail and Union Pacific — to report weekly performance data for six months. The board has extended the reporting requirement several times, citing continued concerns about service and workforce cuts. In January, the railroads were ordered to continue submitting performance reports through December 2024.

## **‘We’ll fight’**

Palestine and Anderson County officials say they’ve tried negotiating with Union Pacific, but the company hasn’t come to the table in good faith.

Former mayor Steve Presley remembers the railroad offering a “pitiful” few months’ payroll at one point, with no compensation for the gifted land. Current leadership expressed similar sentiments.

“They offered us \$1 million at one point in time to settle,” said Jordan, who served on the city council for six years before becoming mayor. “It was a slap in the face.”

That figure represented a fraction of local investment in the railroad, Jordan said, and didn’t come close to making the city, county or the employees whole. If the car shop closes, the lines built on the land will remain in service, officials say, though the jobs will be gone.

Union Pacific acknowledged the role it has long played in the town's economy in court filings but did not go into specifics about prior negotiation attempts.

“Union Pacific does not file this suit lightly,” a complaint filed with the U.S. District Court for the Eastern District of Texas reads. “Union Pacific has long been part of the Palestine and Anderson County communities and has worked with these communities to identify some other way for the railroad to support local growth and development without the localized burdens imposed by this shop agreement on the rest of its interstate rail system.”

Anderson County officials say they have a duty to fight for their residents' livelihoods.

“These guys have got 25, 28 years on the railroad — their roots go deep,” said Anderson County Commissioner Greg Chapin. “This is going to impact our families.”



A brick honors former railroad worker Joel D Torma of Fort Worth on Thursday, March 28, 2024, at the Palestine Railroad Sculpture Park in Palestine. (Juan Figueroa / Staff Photographer)

With just one path left to keeping the rail jobs in Palestine, Palestine and Anderson County officials know it's an uphill battle.

"They say we're not going to be able to beat them, they're just a giant, but the Lord sent David in there with a handful of stones and it took one to kill a giant," Chapin said. "This is our David. We'll fight."

Palestine and Anderson County petitioned the Texas Supreme Court to hear the case earlier this month. If the court refuses to hear it, or agrees that the state court judgment enforcing the contract is void, no legal paths remain to keep the jobs in town.

Jordan said he and other city leaders have begun discussing how to rebrand Palestine.

"I don't want to give the railroad the credit of throwing their hands up in Palestine but we still represent the railroad," Jordan said. "Not anymore."

For locals like Lohmeyer, it's hard to imagine Palestine devoid of its replica cabooses and rail monuments, tributes to the town's history. But like the railmen who have spent most of their working days in the car shop, they may be forced to say a bitter goodbye.

"When they finally leave Palestine, I'm for taking every caboose and running them over with a bulldozer," Lohmeyer said. "I worked for them for 41 years. I have no loyalty to them anymore."

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[Amber Gaudet](#). Amber is the transportation and mobility writer for The Dallas Morning News. She's produced award-winning business and investigative work, including a housing series that led to a federal inquiry and Texas state law change in 2023. Amber holds a master's degree from the University of North Texas' Mayborn School of Journalism.

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