CN's Safety Record under Attack

An object in motion tends to stay in motion. When that object happens to be a 100-tonne railway car hurtling off the tracks at 60 km/h, there's no telling how much damage it can do. CANADIAN NATIONAL RAILWAY is realizing that can be true in more ways that one.

A series of high-profile derailments have sparked a public outcry in recent years. In one 2005 accident, CN's railcars dumped roughly 800,000 litres of oil into a popular lake near Edmonton. Shortly after that, dozens of the company's chemical cars plunged into a B.C. river, killing half a million fish. When a CN train derailed near Lillooet, B.C., in 2006, two crew members died. But even in the wilds of Toronto they're feeling the fallout of errant freight cars. Earlier this spring, two CN derailments shut down commuter service for hours and stranded thousands.

Today the Alberta lake is largely cleaned up, marine life in the river is slowly rebounding, and Toronto's transit system is back to normal. Canada's largest railway, on the other hand, has found itself facing persistent accusations that its rail operations are unsafe. With analysts predicting a railway boom, CN will have to convince regulators and politicians that an increase in rail traffic won't necessarily lead to a surge in accidents. That will be tough. As it turns out, all the statistical data in the world, even when it suggests things are improving, can't compare to the image of a single fiery derailment on the evening news.

To be sure, CN is hardy alone in seeing its railcars jump the tracks. CANADIAN PACIFIC RAILWAY has suffered numerous accidents in recent years. A CPR grain train dumped its load just outside downtown Vancouver in January, causing huge delays for commuters. Then in April, a derailment involving three CPR trains near Weyburn, Sask., sent black smoke billowing from the crash site amid scary reports the trains were carrying highly explosive jet fuel to NASA's space shuttle. (They weren't.) Both companies' derailments prompted Ottawa to undertake a review of the RAILWAY SAFETY Act over the past two years, and in a report released at the end of last month, the standing committee on transportation and infrastructure summed up the fears of many. "There is a concern that the rate of accidents is on the rise," the committee wrote. "The repercussion from these accidents has been severe in terms of human fatalities and environmental damage."

But while both companies have faced scrutiny, it's CN that has twice been the target of harsh government rebukes in recent weeks. The first instance came in last month's committee report. Drawing on interviews conducted by an advisory panel set up following the 2005 accidents, the report suggested CN employees work within a "culture of fear," in which workers are reluctant to report safety violations for fear of reprisals. Then this month Transport Minister Lawrence Cannon issued an "emergency directive" ordering CN to replace faulty wheels that had been assembled in one of the company's facilities prior to 2001. According to the Transportation Safety Board, as many as 12,000 of the wheels, which have been linked to several derailments, are still in use by various railroads. CN says it is complying with the order.

Both episodes have provided fresh fodder for critics. "The railway companies are playing Russian roulette with peoples' lives," says Bill Brehl of the Teamsters Canada union. "We want people to be concerned and start asking the right questions."

If CN is facing tough questions in Canada, the company's image problems south of the border are even more troublesome. Last fall, CN announced a $300-million bid to buy the Elgin, Joliet and Eastern Railway, which operates in Chicago's suburbs. It's a small deal for a company that's spent billions buying rival railroads over the last decade. Yet by integrating EJ&E into
CN's existing rail network, the company can bypass Chicago's congested downtown core, where it can take a full day for a freight train to chug across the city.

But that would also put more trains on EJ&E's suburban tracks - as many as 40 a day compared to just a handful today. Residents from those posh neighbourhoods have rallied hard against the deal, saying CN's long trains would jeopardize their safety. CN's recent safety troubles, and its run-ins with TRANSPORT CANADA, have provided useful fodder for its opponents. As Jim Healy, a local politician in the suburb of DuPage County, put it in a statement two weeks ago: "In light of this [parliamentary report] CN should be prohibited from expanding any U.S. operations until it can prove it is committed to operating in a safe and responsible manner." Presidential candidate and Illinois Senator Barack Obama recently came out against the transaction's current terms, saying he's "seriously concerned" about increased traffic and safety hazards. The U.S. regulator studying the deal has refused to fast-track the approval process, despite pleas from the company.

While many argue the suburbanites' resistance to the deal is little more than old fashioned not-in-my-backyard activism, transportation experts do have misgivings about the amount of rail traffic currently rolling through North America's big cities. David Jeanes, president of the advocacy group Transport 2000, says he fears a major chemical spill in the heart of one of Canada's big cities is inevitable. After all, it's happened before. In 1979, a CPR train derailed in Mississauga, Ont., sending a noxious cloud of gas into the air. More than 200,000 people had to be evacuated. Since then the amount of rail traffic passing through Canada's cities has only increased. "There's isn't a rail line for dangerous goods that doesn't go through populated areas," says Jeanes. "We've been lucky. One of these days we won't be."

When CN's trains do go off the tracks, it's Paul Miller's job to find out why and ensure it doesn't happen again. A little over a year ago Miller became the company's first chief safety officer, part of an effort to get ahead of criticism that CN doesn't take safety seriously. He says the company invests 20 per cent of revenues back into capital investments such as track improvements, while employing "world-class" technologies for detecting equipment flaws. The company was disappointed with the parliamentary committee's "culture of fear" line, he says, suggesting those comments were the by-product of a nasty strike last year involving conductors and yard workers. "In the short term, anybody can get good results by pounding the table, yelling and screaming," he says. "But employees aren't going to react well to that over the long term." He adds that as the company has changed from a government-owned enterprise where "we all got along to get along" into one focused on performance and adherence to rules, it's been "difficult to bring everyone along at the same speed."

His comments suggest an attempt to subtly shift some of the blame for safety problems onto employees. Yet Miller also admits CN's self-managed safety program isn't as good as it could be. Since the late 1990s, regulators have scaled back their inspections of the railroads, allowing the companies to integrate safety checks into their day-to-day operations. "Are we perfect? Obviously not," says Miller. "But we're very focused on it."

To that end, Miller points to CN's declining accident rates. There's no single way to measure derailments, and the data can suggest different things depending on the time frame used. But figures from the Transportation Safety Board do indicate the number of collisions and derailments involving CN trains has fallen 20 per cent since 2001 to 487 last year, with the majority taking place in rail yards. Meanwhile, Ottawa consulting firm CPCS Transcom says between 1996 and 2006 CN and CPR had the lowest average accident ratios of all big North American railroads. "We're proud to be one of the safest railroads in North America," says Claude Mongeau, CN's chief financial officer. "We don't like it when people put it in question, especially when they put it in question out of context."

What this all suggests is that gauging the safety of a railway has little to do with static numbers on a spreadsheet, and everything to do with perception. Every day there are dozens of accidents, big and small, involving transport trucks, yet a single train derailment at the wrong place, and wrong time, will be seared into peoples' minds. "Intuitively I'd rather have
one trainload of hazardous materials going along a track than to have it in the transport truck next to me on the road," says Walter Spracklin, an analyst with RBC Capital Markets. "Unless you can make a perfectly operated railroad that never has a high-profile accident, which you can't, your safety is going to be used against you, even if it's not justified."

The question is, how many more of those high-profile accidents will we see if, as predicted, the amount of rail traffic explodes in the coming years? There's been growing talk of a renaissance in the railway industry. For decades, railroads lost out to the trucking industry because gasoline was so cheap. Over the last 50 years, huge stretches of unused tracks have been torn up, and railways invested little in new capacity. That is now changing. "The stars are aligned in the direction of railroads," says Mongeau, who then rhymes off the many factors working in rail's favour.

With oil prices escalating, transport trucks are becoming increasingly unfeasible. According to the American Association of Railroads, trains are up to four times more energy efficient than gas-guzzling trucks. Since CN is the continent's most efficient rail company, say analysts, it can transport even more freight on less fuel. A new report from the U.S. Chamber of Commerce suggests demand for rail freight could double by 2035 and that US$148 billion is needed to upgrade infrastructure just to keep up with demand. For its part, CN plans to spend $2.5 billion on new locomotives and track upgrades this year alone.

Even in the eyes of environmentalists, who have at times had a rocky relationship with CN, rail is the best choice for the future regardless of its perceived safety problems. Since one train can carry the load of 280 transport trucks, railways emit fewer of the greenhouse gases linked to climate change.

Some big-name investors have already taken notice and plowed their money into the industry. Billionaire Warren Buffet has bet heavily on U.S. railways, while CN is the second-largest holding in Microsoft founder Bill Gates's private portfolio. As of last week, his stake was worth roughly $1.7 billion.

Still, CN's ability to cash in on that momentum will depend largely on its ability to live down its tarnished reputation with regards to safety. CN recently built a $20-million container terminal in northern B.C. to service the new port of Prince Rupert, and the company is expected to see a huge increase in traffic as Asian exporters turn to the port as their conduit to North American consumers. But will more traffic mean more accidents?

Mongeau is optimistic. "The hope is the industry can make faster progress on improving our safety performance, so in total you would not see more train accidents," he says. "History over the last 20 to 30 years would point to that being a clear possibility."

Perhaps. But a railway's reputation for safety is not only about the numbers, but how often you make the six o'clock news.

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