The background to the Lac-Mégantic disaster: Deregulation, profit and the Canadian rail industry

Carl Bronski
11 July 2013

Last weekend's train derailment in Lac-Mégantic, Quebec and the subsequent explosion of oil-filled tanker cars that demolished much of the town's central core and killed more than 50 people have exposed alarming trends in the shipment of dangerous substances on Canada's rail network.

In particular, the immense boom in the transport of crude oil by rail over the past several years combined with the continued decay of rail infrastructure, reduction of railroad staffing levels and the deregulation of the industry have left many observers warning that the horrific tragedy at Lac-Mégantic could very well be repeated in other towns and cities across the country.

Oil production in North America has steadily increased in the last decade due to the massive development of the northern Alberta tar sands and increasing shale oil production from the Bakken deposits in North Dakota, Montana, Manitoba and Saskatchewan.

Today about 10 percent of all North American oil is moved by rail, up from two percent only five years ago. Much of this rail traffic is shuttled through major urban centres and is carried in tanker cars that are known to be susceptible to puncture in the event of a derailment. The ill-fated Lac-Mégantic train passed through Toronto only a day prior to the Quebec explosion.

According to the Canadian Railway Association, shipments of oil by railcar tanker in Canada have increased from 500 carloads in 2009 to about 140,000 for 2013—an increase of 28,000 percent. Even if the proposed Keystone XL pipeline from Western Canada to the American Gulf Coast and the Northern Gateway pipeline from Alberta to the British Columbia coast are eventually built, it is projected that oil production in Canada and the US will exceed pipeline capacity by one million barrels a day by 2025. Should the US government not approve the currently stalled extension of the Keystone XL pipeline project to Alberta, it is estimated that by 2017 oil shipments by rail in Canada will increase a further 42 percent.

Canadian rail companies have boosted profit margins on the heels of this transport boom. Canadian Pacific Railways increased its average revenue per car by 12 percent this year as a result of increased oil transport contracts. Canadian National Railways has so far gained 14 percent on the Toronto Stock Exchange this year. Montreal Maine and Atlantic (MMA), the railway company involved in the Quebec explosion, has buttressed its profits by using oil shipments to make up for a decline in lumber transport contracts.

Even as pipeline spills are becoming a more frequent occurrence in North America—due to aging installations, reduced maintenance and dubious risk analyses based not on environmental safety concerns but rather the voracious profit requirements of oil, construction and financial industry shareholders—the danger of an oil spill from a rail tanker is still deemed to be three and to six times greater than from a pipeline. Railcar accidents are more likely to cause immediate injury and death. Pipeline accidents, however, are often larger with broader and longer-term environmental and health impacts.

Proponents of quick development of the Keystone XL and Gateway pipelines—a group that includes Canadian Prime Minister Stephen Harper and his Conservative government, substantial elements in the US Congress and Obama administration, Big Oil and much of the corporate elite in both countries—have cynically latched on to the Lac-Mégantic disaster to extol pipelines as a safe alternative to ever-increasing shipments of crude by rail.

In their cruel use of the Quebec tragedy, however, none of these proponents make mention of the fact that the oil on the train at Lac-Mégantic was shale oil from North Dakota—oil that will never be serviced by a pipeline due to the Bakken field's untenably short "life span" of about twelve years. Indeed, with or without new pipeline infrastructure, railcar transport of oil will continue to increase.

In reality, the burgeoning risks associated with pipeline or railcar transportation of oil are a product of an economic system that places profit before the well-being of the general population.

Railroad safety in Canada has been deregulated under successive Liberal and Conservative governments since the 1990s. Today, railway companies largely carry out their own inspections of processes, equipment and infrastructure. This so-called self-regulation is simply a carte blanche for corporations to continue to cut safety corners to burnish their bottom lines. Similar practices have been instituted in Canada's food safety system, resulting in repeated outbreaks of food-borne illnesses and deaths over the past decade.

Despite the dramatic increase in the shipment of hazardous materials, funding to Transport Canada for spot inspections has been slashed. The overall budget allocated by the Harper Conservatives to the Transportation Department has been reduced by 30 percent in the last year alone. In 2011 an auditor-general's report concluded, "Transport Canada has not designed and implemented the management practices needed to effectively monitor regulatory compliance" of dangerous goods transport.

Recommendations by Safety Boards to rail companies to update rail safety technologies are not implemented. Technological advances, for instance, allow for the installation of automatic switching devices that would allow for the redirection of unauthorized trains—like the runaway Lac-Mégantic train—to safe-port sidings.

Replacement of the prone-to-puncture DOT-111 tanker car—the most heavily used vehicle type in the industry (and that used by MMA on its ill-fated Lac Mégantic train)—has proceeded at a snail's pace. With companies complaining of the expense involved in eliminating the DOT-111s, the government has stipulated that they only need be replaced with safer, thicker-walled tanker cars when they are retired from service.

Profitability pressures meanwhile cause the railways to press for "lean" operations with reduced staffing and more onerous work schedules and to skimp on the upkeep of physical infrastructure. The runaway train at Lac-Mégantic, for instance, was overseen by a lone engineer in charge of 72 cars and five locomotives. He had parked the train for the night on aging tracks after a grueling 12-hour shift and, in accordance with policy, apparently left the train unattended with a locomotive engine still partially operational to maintain air-brake pressure. The loss of air-brake pressure, perhaps due to a reported fire on the unattended running locomotive, is a possible cause for the train eventually breaking away and careening into Lac-Mégantic.

Ed Burkhardt, MMA's chairman, has pushed for one-man train "crews," in which an engineer is responsible for both driving the train (whether manually or by remote control) and doing work on the ground. On Wednesday, Transport Canada revealed that in 2012 it had given the green light to a request by MMA officials to be one of only two companies allowed to operate one-man trains in Canada. Transport Canada also said that, although a rare occurrence, there are no regulations to prevent a company from leaving a running train unattended.

Burkhardt has made a fortune overseeing the privatization and rationalization of railway operations in New Zealand, Britain and continental Europe.

Over the past decade, several small derailments at low speed on poorly maintained MMA tracks have caused chemical leaks. According to a report in the *Wall Street Journal*, since 2000, MMA trains have spilled hazardous chemicals seven times, including a 13,000-litre diesel oil spill in Frontenac, just east of Lac-Mégantic, last month. Overall, the Transportation Safety Board reports 129 accidents both major and minor and 77 derailments of MMA trains since 2003.

The railway bosses' overriding concern for corporate profitability was perhaps best exemplified by Canadian Pacific management during the recent Bow River Bridge collapse near Calgary, Alberta. When that century-old, poorly maintained bridge fell into the river after a heavy flood, threatening to drop precariously perched CP cars full of poisonous petroleum distillate into the gorge, CP's chairman, Hunter Harrison, rejected suggestions that the bridge should have been inspected as the flood waters began to rise. Shutting the bridge down, he insisted, would have "jeopardized commerce."

Over the past several days, network television anchors and their camera crews have descended on Lac-Mégantic to record in solemn tones the aftermath of the event. Police updates are broadcast in their entirety, railway experts are interviewed, eyewitnesses brought forward and grieving parents, sons and daughters featured. Scant attention, however, is given to the underlying systemic causes for the Lac-Mégantic tragedy and the growing list of public health disasters that have shaken Canada in the past 15 years—including the poisoning of Walkerton, Ontario's water supply in 2000, the 2003 SARS epidemic, and the 2008 listeriosis outbreak.

Since last Saturday's derailment explosion MMA's Ed Burkhardt has repeatedly sought to shift blame away from his company and its practices by successively attributing the disaster to "sabotage," errors by a local fire department, and malfeasance on the part of the train's engineer. It was left to a shell-shocked citizen of the small Quebec town to say what no one else from the television networks would. When asked to explain the cause of the tragedy, she turned to the bank of cameras and screamed, "Money! Money! Money!"