

What the merger of CP Rail and Kansas City Southern means for North American rail workers

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The US Surface Transportation Board (STB) gave final approval to the Canadian Pacific (CP) Rail and Kansas City Southern (KCS) joint merger application to combine the two railways to form Canadian Pacific Kansas City (CPKC) on March 15. The new railway combines the two smallest of the seven Class I railways in the United States, and will still be the smallest of the now six Class Is. However, it is the first single-line railway connecting the US, Mexico and Canada.

The merger must be viewed in the context of the intensified push to establish a North American protectionist trade bloc dominated by American and Canadian imperialism. With this policy, which is underpinned by the US-Mexico-Canada Agreement (USMCA)—finalized as an upgrade to NAFTA during the Trump administration—the continent’s twin imperialist powers aim to consolidate their economic power to wage trade war and military conflict against their geostrategic rivals, above all Russia and China.

During last year’s contract negotiations for rail workers in the US, when over 120,000 rail workers were on the verge of strike action, national security specialists explicitly drew attention to the importance of preventing disruption to the rail network under conditions of war with Russia. Todd Rosenblum, writing on the FreightWaves website, declared that the convening of the Presidential Emergency Board to impose a sellout contract on rail workers was “essential for preserving the nation’s readiness for conflict in this period of heightened uncertainty.” Imposing a concessions-filled settlement without a strike would “signal to adversaries that our readiness to respond to provocation is high, and our supply chain is becoming more resilient, not less.”

A critical element in the North American ruling elites’ protectionist plans is the concentration of key supply chains within the continent so as to reduce dependency on rivals for the supply of critical minerals and other raw materials. From the standpoint of the ruling class, this requires a reliable rail network capable of transporting goods from Canada to Mexico, while suppressing opposition to horrendous working conditions by rail workers.

The investing website Seeking Alpha explained last September how CP, and North American railroads more broadly, were set to benefit from global supply chain “re-shoring.” The website explained, “The merger with Kansas City Southern will allow the company to service Canada, the United States, and Mexico. This

means benefiting from higher industrial production and the ability to connect major grain, automotive, chemical, energy, and other supply chains.”

The consolidation of supply chains in the North American continent has been the subject of extensive consultations at the highest levels of government. In a bilateral meeting on the sidelines of the North American leaders’ summit in January, US President Joe Biden and Canadian Prime Minister Justin Trudeau pledged to intensify efforts to source raw materials necessary for EV production and other “clean energy” projects from Canada.

With a network of close to 33,000 kilometres of rail and approximately 20,000 employees, CPKC will play an important role in transporting raw materials and finished goods across one of the world’s largest free-trade zones under the USMCA. Its first cross-border trains are expected to carry Midwestern meat products to Mexico and Mexican-grown fruits and vegetables north to Chicago.

From mid-2020, KCS rejected 11 offers from investment firms attracted by US/Mexico cross-border trade until Canadian National (CN) and CP engaged in a bidding war to acquire the railway. KCS originally accepted a \$33 billion proposal from CN but that was rejected by the STB over the structure of the voting trust. Ultimately, Canadian Pacific secured a deal in September 2021 which provided \$1.4 billion to cover merger-termination fees owed to Canadian National. Since that time the railroads have operated independently, pending the STB’s final review.

The support of the STB for CP’s offer underscores how a rail network encompassing North America’s three main economies was desired at the highest levels of the state. In justifying its decision to allow the merger, the STB stated that the combined operation would present a stronger competitor to BNSF and Canadian National. A major factor in this consideration is, no doubt, that CPKC would be in a better position than CP Rail and KCS were individually to pick up the slack from a strike at either of the major two railroads.

Keith Creel, the current CEO of CP and future CEO of CPKC, declared that the new rail network would “create a truly unique single-line network connecting three nations and instantly injecting new competition into the North American rail industry when our supply chains have never needed it more.”

Last year, he vowed that a major target of the new railroad will

be the two-person-crew rule in the US, which he said was short-sighted, and that once technology and components allow safe, efficient and reliable service, railroads should be allowed to operate trains with one person in the cab. Creel is advocating running a 3 kilometre long train at high speed with potentially hazardous freight in every conceivable condition, with a single operator to manage it safely. Even with a minimum of two crew members today, derailments occur at a rate of more than 1,000 per year across the US.

Both CP and KCS utilize Precision Scheduled Railroading (PSR). PSR is universally despised by workers because it imposes a dehumanizing attendance policy that forces them to be on-call virtually 24 hours a day, seven days a week in order to satisfy efficiency targets. The demand to run longer trains at higher speeds with less down-time, even for vital safety inspections, can be cited as a contributing factor in the tragic deaths of three CP workers in British Columbia in 2019. CP continues to deny any responsibility for the incident and boasts that its rapid growth since PSR was introduced proves that PSR works.

The financial oligarchy that stands behind the railway companies is determined to entrench PSR across the continent no matter what the cost to working conditions and lives.

These conditions of ruthless exploitation are made all the more necessary by the economic impact of the US-NATO war on Russia. Key agricultural products, like fertilizer, grain, oil and gas, are required from Canada in greater quantities due to the sanctions imposed on Russia and the destruction of the Ukrainian economy. When 3,000 CP Rail workers were locked out by management in March 2022, Creel asserted that avoiding a prolonged strike by means of a lockout was necessary to ensure “Canadian resources” could reach the “world market.”

North America’s railroads have profited handsomely from the war and the growth of economic protectionism, which is why Creel and co. are so confident that the merger will prove highly lucrative. As the American Railroad Association notes on its website, “Railroads continue to move huge amounts of cargo, despite current supply chain challenges. In the first 11 months of 2022, railroads moved more carloads of chemicals than in any comparable period in history; more carloads of food products than any year since 2012; the fourth-highest carloads of grain since 2009; and the second-highest carloads of iron and steel scrap since 2014.”

CPKC will offer a direct route for Alberta’s bitumen to the gulf coast of Texas, where most of the world’s heavy oil refineries are located. Shipping crude oil by rail is not the most cost-effective method. However, since the Biden administration canceled the highly controversial Keystone XL pipeline in 2021, a direct rail route has acquired heightened importance.

CPKC will also offer a direct route for Canadian grain as far south as Mexico City. Wheat is one of Canada’s largest agricultural exports, coming in at over \$7 billion per year. Another is fertilizer, with exports reaching \$8.3 billion in 2021, prior to the outbreak of the war in Ukraine. Canada exports fully one-third of the world’s traded potash, a key fertilizer ingredient.

The fact that Canadian Pacific was so easily able to seal the transaction by stumping up the additional \$1.4 billion, to cover the

merger-termination fees owed by KCS to CN, shows just how much cash is washing around the industry. In the middle of a global pandemic, CP was forcing its workers to work long hours in unsafe conditions, while it splashed cash around to fulfill its desire to become a serious continental player. CP’s union accomplices in the Teamsters and Unifor happily played along with the corporation’s pleas of poverty throughout the various contract negotiations before and after the merger deal, jointly imposing concessions at every turn. The combined workforce of the new entity will now be subject to restructuring and intensified exploitation, with the prospect of significant job losses.

The nationalist and bureaucratic unions long ago gave up representing the interests of the membership and have been fully integrated into the management structure of the corporations as the brokers of labour power. Almost 120,000 railroad workers in the US laboured under an expired contract for more than two years before giving their union executives near unanimous strike mandates that the unions opposed carrying out. Eventually, the White House, with the support of Congress and the unions, imposed a dictatorial concessions-laden settlement on workers across the system.

In both the US and Canada, the unions are subservient to the interests of their “own” corporate elites and capitalist states. In Canada, Unifor and the Teamsters are key props of the federal Liberal government, while in the US all the unions have worked closely with the Biden administration to enforce miserable contracts across every economic sector. Faced with a multinational railroad that will scour the continent from the Canadian Arctic to tropical Mexico to secure the cheapest labour and biggest profits, rail workers cannot take a single step forward in the fight for better conditions and wages by entrusting their fate to such nationalist and pro-capitalist organizations.

The only solution is for rail workers to take power away from the bureaucrats by forming rank-and-file committees in every workplace. These committees must counterpose to the ravenous pursuit of profit by CPKC and other railroads, demands based on what workers actually need, and fight to unify rail workers in Canada, the US and Mexico in a continent-wide struggle to put an end to the ruthless exploitation that prevails on the railroads.



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