



TRANSPORT ACTION
CANADA

**WRITTEN SUBMISSION FOR THE PRE-
BUDGET CONSULTATIONS IN ADVANCE OF
THE UPCOMING FEDERAL BUDGET**

TRANSPORT ACTION CANADA

August 2020

SUMMARY OF RECOMMENDATIONS

- Recommendation 1:** Create a **Strategic Rail Infrastructure Fund** under the *Investing in Canada* program and in conjunction with the Canada Infrastructure Bank with an allocation of **\$5 billion annually**.
- Recommendation 2:** Introduce a **Fair Rail for Passengers Act** to amend the Canada Transportation Act, clarifying the rights and responsibilities of passenger operators and freight railways.
- Recommendation 3:** Provide **VIA Rail Canada** with **stable operating funding** of \$400 million annually for five years, plus \$200 million for Covid-19 recovery.
- Recommendation 4:** Provide **VIA Rail Canada** with **capital funding** for long-distance fleet renewal, starting with \$120 million to provide **barrier-free accessible cabins** on all overnight trains.
- Recommendation 5:** Reinstated remote passenger rail service funding in the Algoma region of \$2.2 million annually to implement the **Mask-wa Oo-ta-ban** initiative led by the Missanabie Cree First Nation.
- Recommendation 6:** **Extend zero-rating for GST to all train and bus fares** and work with the provinces to zero-rate them for provincial taxes.
- Recommendation 7:** Amend the **Public Transit Infrastructure Stream** of the *Investing in Canada* program to fulfill the government's commitment to **5,000 zero-emission buses**.

RAILWAYS AS THE KEY TO UNLOCKING CANADIAN PRODUCTIVITY, SOCIAL INCLUSION, AND CLIMATE-CHANGE PERFORMANCE

Canada's infrastructure efficiency is now ranked between 22nd and 17th globally.^{1,2} This is a product of deteriorating rail freight service for smaller shippers and smaller cities, the abandonment of rail lines to the point of compromising overall network resilience, and widening gaps between Canada and peer countries in passenger rail and connecting bus services.

Canada ranks in the top 1% globally for per-capita fossil fuel consumption, with 30% of GHG emissions derived from transportation. While transit electrification and changes in work practices offer some mitigation, Canada cannot meet its Paris commitment without a significant modal shift to rail for freight and intercity passenger travel.

Nothing disappoints Canadian observers of international best practice more than infrastructure being defined as "roads, bridges, and airports." This narrow thinking contributes to Canada's underperformance. Our situation *will* deteriorate further, undermining our productivity, labour market flexibility, social inclusivity and reconciliation goals, without coordination between the public and private sectors to revitalize Canada's rail network.

While our international trading partners are making significant public investments, recognizing the importance of rail infrastructure, Canada has taken a *laissez-faire* approach to railways for the past 25 years.

This submission advocates visionary public-private cooperation to transform Canada's railways into major facilitators of Canada's economic, societal and environmental objectives.

¹ <https://www.statista.com/statistics/264753/ranking-of-countries-according-to-the-general-quality-of-infrastructure/>

² <http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/#series=GCI.A.02>

The federal government should maximize triple-bottom-line return on infrastructure investment, serving as national coordinator of a forward-thinking rail-based strategy to deliver:

- Improved personal mobility to facilitate social cohesion, economic opportunity, wellness, and reconciliation with First Nations.
- Material contribution to climate change mitigation.
- Development, retention and exploitation of Canadian transportation technologies.
- Appropriate corridor duplication for national resilience and to ensure trust as a global trading partner.
- Improved population distribution through the ability to develop robust communities throughout Canada.
- Optimization of land use.
- Climate-proofed access to Arctic tidewater.

Railways offer material advantages for freight and passenger transport, especially on a totally absorbed cost basis:

- Railways can carry heavy loads safely at competitive velocity without the massive land demands of highways and airports.
- Full utilization of an existing rail corridor provides greater capacity than a six-lane highway.
- Canada's railways have significant scope to increase capacity by adding tracks to active corridors and reactivating idle corridors.
- Advances in signaling technology can enhance the utilization of existing rail infrastructure.
- Diesel freight trains use 75% less fuel per ton-mile than trucks.
- Diesel passenger trains with moderate load factors use 95% less fuel per passenger mile than short-haul flights.
- Electric or hydrogen propulsion would improve this performance to 95% and 99% respectively.
- While railway infrastructure is currently taxed, Canadian highways are 30% subsidized, net of all taxes and fees.³
- Railways are more resilient to winter weather – a primary reason the Nordic countries invest heavily in rail.

Successful public transport networks provide smooth connections between rail, bus and other modes at reasonable cost. Poor coordination between modes in Canada causes higher costs

³ https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary_385_0.pdf

and glaring service gaps; thus limited ridership, social exclusion and constrained labour market flexibility.

Since the formation of VIA Rail in 1976, our national passenger rail network has been subjected to devastating cuts, instead of investments to provide the backbone of a dependable travel network. This has left many Canadians without any public transport, limiting economic and social opportunities and jeopardizing personal safety. With a lack of safe transport identified as a factor in the disappearances and deaths of indigenous women and girls,⁴ the government must acknowledge this crisis and act swiftly to restore access to dependable public transport for all Canadians.

1. STRATEGIC RAIL INFRASTRUCTURE FUND

The \$5bn Strategic Rail Infrastructure Fund (SRIF) would be guided by a Rail Strategy Task Force with representation from Infrastructure Canada, the Canada Infrastructure Bank, freight railways and passenger operators.

This task force would:

- Perform a National Infrastructure Review to identify investments necessary for resilience and substantial modal shift, including reinstating corridors like the Ottawa Valley.
- Analyze opportunities for public-private investment in rail infrastructure capacity and velocity, including track and signaling upgrades, regional truck/train intermodal facilities, freight terminals, and asset-sharing for optimum utilization.
- Perform financial modelling to equitably balance private sector and national interest for all joint investments.
- Optimize financing, including 100% capital cost deductions, grants, loans and land value capture.
- Measure investments against a goal of rail industry net-zero emissions by 2040.
- Maximize the benefits of Canadian technological leadership in hydrogen by supporting deployment of hydrogen fuel cell trains.⁵
- Maximize Canadian content in funded projects, matching the US policy of 75% domestic content.

⁴ <https://www.mmiwg-ffada.ca/wp-content/uploads/2019/06/National-Inquiry-Master-List-of-Report-Recommendations-Organized-By-Theme-and-Jurisdiction-2018-EN-FINAL.pdf>

⁵ http://www.chfca.ca/wp-content/uploads/2019/09/GOC-Buses_Train_en_WEB1.pdf

The SRIF funding allocation should be supported by reinvesting taxes on railroad fuel, strengthened cost control for subway and LRT projects,⁶ and terminating federal highway funding except for northern and indigenous communities.

NEAR-TERM PRIORITY PROJECTS

Each region of Canada has shovel-ready rail projects that would deliver tangible results within two years:

- A. Repair track between Bathurst and Miramichi, NB to resolve delays to passenger trains in the Maritimes. **\$50m.**
- B. Repair the Vancouver Island railway as detailed in the BC government study, restoring freight and passenger services suspended since 2010. **\$350m.**⁷
- C. Enable the proposed Calgary-Banff passenger service and expedite freight between the Prairies and Pacific tidewater by expanding capacity on Canadian Pacific's main line. **\$500m.**
- D. Reinstate the second track between London and Sarnia, relieving freight congestion in southwestern Ontario, and install a new platform at Sarnia to reduce passenger train conflicts with freight using the St. Clair tunnel. **\$75m.**
- E. Repair the Huron Central Railway between Sudbury and Sault Saint Marie, ensuring service continuity for the region's industries. **\$40m.**
- F. Continue federal contributions to repairing the Gaspésie Railway.
- G. Repair the Cape Breton Railway in preparation for a new container port in Sydney, NS. **\$110m.**⁸
- H. Support the railway to Churchill, MB, which has been hard-hit by the Covid-19 crisis shortly after its reopening.⁹

QUEBEC-WINDSOR CORRIDOR

VIA Rail's High Frequency Rail project would be funded from the proposed SRIF if the government proceeds with the project in 2021. Alternatively, \$4bn should be earmarked for upgrades to deliver dependable hourly intercity service on the existing Quebec-Windsor corridor and provide Peterborough-Toronto commuter service.

⁶ <https://www.rccao.com/research/files/RCCAO-STATION-TO-STATION-REPORT-APRIL2020.pdf>

⁷ https://www2.gov.bc.ca/assets/gov/driving-and-transportation/reports-and-reference/reports-and-studies/vancouver-island-south-coast/en-railway/ircca-report-2020/ircca_summary_report_master_v13.pdf

⁸ <https://www.cbc.ca/news/canada/nova-scotia/cape-bretoners-call-for-repairs-to-crumbling-rail-line-1.5612633>

⁹ <https://www.winnipegfreepress.com/local/line-to-churchill-needs-more-funding-owners-571926642.html>

Dedicated tracks without high speed rail are a workaround, in the absence of a Fair Rail for Passengers Act, for worsening treatment of passenger trains by Canadian National and the co-opting of previous public investment in the corridor for freight use.¹⁰

2. FAIR RAIL FOR PASSENGERS ACT

Since 2010, increasing delays have made trains across Canada much less convenient for Canadians and deterred international tourism.^{11,12} These delays have been imposed while host railroads post exceptional profits. Meanwhile, commuter rail projects have been stymied by refusal to guarantee schedules in return for public investment.¹³

Recent funding for replacement trains for the Quebec-Windsor corridor should be supported by action to ensure on-time performance. Investment to alleviate bottlenecks, backed by a Fair Rail for Passengers Act, can maximize ridership while improving the flow of freight.

A properly crafted Fair Rail for Passengers Act drawing upon previously debated legislation^{14,15,16} would provide parliamentary scrutiny of passenger network cuts, facilitate additional services to meet demand, ensure fair train path pricing, and assure public benefit from SRIF investments.¹⁷

3. STABLE OPERATING FUNDING FOR VIA RAIL

VIA Rail Canada has requested five-year stable funding to allow efficient planning and innovation to serve growing passenger demand.¹⁸ Properly funded, VIA Rail could evolve into the mode of choice for travel up to 800km, while better participating in the international rail-based tourism market. Sadly, successive federal governments have ignored these benefits.

Stable funding should allow restoration of daily service between Montreal and Halifax, where the cut to thrice weekly in 2012 failed to realize anticipated operating cost savings while

¹⁰ https://www.oag-bvg.gc.ca/internet/English/parl_oag_201602_07_e_41251.html#ex5

¹¹ <https://globalnews.ca/news/6591508/via-rail-delays-the-canadian/>

¹² <https://trn.trains.com/news/news-wire/2019/12/23-vias-canadian-reaches-vancouver-27-hours-late>

¹³ <https://www.thechronicleherald.ca/business/halifax-commuter-rail-not-coming-but-councillor-still-holding-out-hope-324307/>

¹⁴ <https://www.parl.ca/DocumentViewer/en/42-1/bill/C-370/first-reading>

¹⁵ <https://www.parl.ca/DocumentViewer/en/42-1/bill/C-387/first-reading>

¹⁶ <https://openparliament.ca/bills/41-2/C-640/>

¹⁷ <https://www.transportaction.ca/wp-content/uploads/2019/09/TAC-2019-Policy-Briefing-VIA-Rail.pdf>

¹⁸ https://www.viarail.ca/sites/all/files/media/pdfs/About_VIA/our-company/corporate-plan/Corporate_Plan2019.pdf

inflicting inconvenience upon Maritime Canadians and visitors. It should also allow the idea of restoring service through Thunder Bay, increasing the population served in Northern Ontario tenfold, to be revisited.

4. REPLACING VIA RAIL'S LONG-DISTANCE FLEET

Most of Canada's long-distance train fleet is aging stainless-steel, purchased in 1955. The balance are mild-steel *Renaissance* cars, acquired in 2001, which have not proved as durable and are now life-expired, living on cannibalized parts.

VIA Rail has only six accessible cabins in its entire fleet, and two will be lost with *Renaissance* cars. Failure to address this would be negligent, and precipitate a reprise of *Council of Canadians with Disabilities v. VIA Rail Canada Inc. (2007)*¹⁹

We recommend lifecycle replacement of VIA Rail's entire long-distance fleet over the next decade, starting with 16 cars to offer barrier-free accommodation on all overnight trains.

5. MASK-WA OO-TA-BAN

Passenger rail service in the Algoma region between Sault Saint Marie and Hearst, Ontario was discontinued in 2015. The loss of this service, which supported the economic, employment, social and remote access of Indigenous and non-Indigenous people and provided safe transportation along a 700 km corridor where road access is largely non-existent, has been deeply damaging.

The Missanabie Cree First Nation have obtained a rail operating license and prepared a business plan to restore the Mask-wa Oo-ta-ban "Bear Train."²⁰ Accepting this business case and restoring funding would boost the Algoma region's economy by \$38-48 million annually through business and tourism, according to an impact assessment prepared by BDO.²¹

Decreased social service costs and new tax revenues would make this funding net positive for the Canadian treasury. The government should facilitate connections with VIA Rail and Ontario Northland.

¹⁹ <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/2352/index.do>

²⁰ <http://beartrain.ca/wp-content/uploads/2020/02/MASK-WA-OO-TA-BAN-BearTrain-BusinessPlan-LowRes.pdf>

²¹ <http://beartrain.ca/wp-content/uploads/2017/08/CN-Passenger-Train-Impact-Report.pdf>

6. REMOVE GST FROM FARES

Extending sales tax zero-rating to all train and bus fares would improve affordability, incentivize low-carbon mobility, ensure the economic viability of many bus routes, and reduce the subsidy requirements of public sector train and buses. It would also remove an absurdity: VIA Rail and GO fares often differ only by tax treatment.

7. ZERO-EMISSION BUSES

The Hon. Catherine McKenna, Minister of Infrastructure and Communities, confirmed the government's commitment to 5,000 zero-emission buses at the *Low-Carbon Smart Mobility Conference* on June 16th 2020.²² While larger municipalities have received PTIS funding for electric or hybrid buses,^{23,24} not enough smaller transit systems appear to be applying for funding for zero-emission buses to fulfill the government's target. Recent grants to Barrie, Brantford and Windsor provide only like-for-like replacement of diesel buses, locking in emissions and higher operating costs for 12 years or more.

Last-mile suburban and rural transit can also be improved and affordably extended using Demand-Responsive Transit technology. Projects have demonstrated significant ridership growth while decreasing vehicle miles travelled, also reducing costs and emissions.²⁵

We recommended Transport Canada and Infrastructure Canada assemble a team to support smaller municipalities in adopting zero-emission buses and Demand-Responsive Transit; amend PTIS to provide a top-up for smaller transit systems to acquire zero-emission buses; create a funding formula for contracted-out transit systems; and upgrade recent awards to zero-emission.

²² <https://conferences.cutric-crituc.org/agenda/speakers/663994>

²³ <https://kitchener.ctvnews.ca/region-of-waterloo-proposing-all-electric-fleet-of-buses-1.4955659>

²⁴ <https://globalnews.ca/news/6422264/electric-guelph-transit-buses-funding/>

²⁵ <https://www.thewhig.com/news/local-news/on-demand-service-earns-belleville-transit-national-recognition/wcm/ffb86b81-3a0e-427f-aca8-60bfaef20c4d>