



TRANSPORT ACTION
CANADA

**WRITTEN SUBMISSION FOR
FEDERAL BUDGET 2022**

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February 2022

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 increased work-from-home offer some mitigation, Canada cannot meet its Paris commitment without a significant modal shift to rail for freight and intercity passenger travel.

Highway-centric 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 and climate change related severe 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.

Service suspensions during the pandemic, beyond those necessitated by interprovincial travel restrictions, have caused VIA Rail’s ridership recovery to fall far behind Amtrak and other international peers. We urge the federal government not to undermine the long-term objective of a growing ridership and increasingly fiscally sustainable passenger railway and environmentally sustainable travel network for Canadians in the search for minor near-term cost savings.

1. STRATEGIC RAIL INFRASTRUCTURE FUND

The proposed \$5bn Strategic Rail Infrastructure Fund (SRIF) should 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.

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>

- Maximize the benefits of Canadian technological leadership in hydrogen by supporting deployment of hydrogen fuel cell trains.⁵
- Ensure the delivery of joint federal-provincial rail project commitments like the GO Milton upgrade.
- Maximize Canadian content in funded projects, matching the US policy of 75% domestic content.

The proposed funding 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:

- Repair track between Bathurst and Miramichi, NB to resolve delays to passenger trains in the Maritimes. **\$50m.**
- Repair the Vancouver Island railway as detailed in the BC government study, restoring freight and passenger services suspended since 2010. **\$350m.**⁷
- Contribute to restoring Calgary-Banff passenger service by expanding capacity on Canadian Pacific's main line. **\$500m.**
- 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.**
- Continue federal contributions to repairing the Gaspésie Railway.
- Repair the Cape Breton Railway in preparation for a new container port in Sydney, NS. **\$110m.**⁸

QUEBEC-WINDSOR CORRIDOR

We welcome the government's announcement of its intention to start procurement in fall 2021 on VIA Rail's High Frequency Rail project, and that the system will be electrified to eliminate GHG emissions. However, this process appears to have been delayed and no action has yet been forthcoming. This should be expedited in budget 2022, including examining options to

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

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>

accelerate delivery of project elements where infrastructure already exists, such as service between Peterborough and Toronto.

Similarly, we welcome the announced intent to extend High Frequency Rail to Windsor in future. The is no suitable alignment for dedicated track, therefore restoring the second track between London and Sarnia, thus relieving freight congestion between London and Burlington, has been identified to the provincial SW Ontario Transportation Task Force as being critical to enabling more frequent passenger service and should be funded immediately.

CALGARY-EDMONTON CORRIDOR

The principles of the High Frequency / High Performance Rail and potential for strong triple-bottom-line return on investment apply equally to key corridors in western Canada. We therefore recommend that preparatory work to resume passenger service between Calgary and Edmonton be commenced in budget year 2022 with a view to restoring service before 2030.

2. FAIR RAIL FOR PASSENGERS ACT

Dedicated tracks are a workaround, in the absence of regulation, for poor treatment of passenger trains by host railroads and the co-opting of previous public investment in the Quebec-Windsor corridor for freight use.⁹

Since 2010, increasing delays have made trains across Canada much less convenient for Canadians and deterred international tourism.^{10,11} 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.¹²

The new 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.

⁹ https://www.oag-bvg.gc.ca/internet/English/parl_oag_201602_07_e_41251.html#ex5

¹⁰ <https://globalnews.ca/news/6591508/via-rail-delays-the-canadian/>

¹¹ <https://trn.trains.com/news/news-wire/2019/12/23-vias-canadian-reaches-vancouver-27-hours-late>

¹² <https://www.thechronicleherald.ca/business/halifax-commuter-rail-not-coming-but-councillor-still-holding-out-hope-324307/>

A properly crafted Fair Rail for Passengers Act drawing upon previously debated legislation^{13,14,15} would provide parliamentary scrutiny of our passenger network, facilitate additional services to meet demand, ensure fair train path pricing, and assure public benefit from public investments.¹⁶

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.¹⁷ 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.

Stable funding should provide for the restoration of daily service between Montreal and Halifax, where the cut to thrice weekly in 2012 failed to realize anticipated operating cost savings while inflicting inconvenience upon Maritime Canadians and visitors. It should also allow the restoration of daily service to Thunder Bay and across western Canada to be explored.

In the medium term, investment to resume adequate service levels to truly meet the travel needs of Canadians along major inter-city corridors, including Calgary-Edmonton, can be expected to produce operating surpluses, contributing to funding essential northern and remote services.

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.

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)¹⁸

¹³ <https://www.parl.ca/DocumentViewer/en/42-1/bill/C-370/first-reading>

¹⁴ <https://www.parl.ca/DocumentViewer/en/42-1/bill/C-387/first-reading>

¹⁵ <https://openparliament.ca/bills/41-2/C-640/>

¹⁶ <https://www.transportaction.ca/wp-content/uploads/2019/09/TAC-2019-Policy-Briefing-VIA-Rail.pdf>

¹⁷ https://www.viarail.ca/sites/all/files/media/pdfs/About_VIA/our-company/corporate-plan/Corporate_Plan2019.pdf

¹⁸ <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/2352/index.do>

We welcome the scheduling of an industry information day for spring 2022 and we recommend immediate funding commitment to replace 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.”¹⁹ 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.²⁰

Decreased social service costs and new tax revenues would make this funding net positive for the Canadian treasury.

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

While larger municipalities have received federal funding for electric or hybrid buses,^{21,22} not enough smaller transit systems appear to be applying for funding for zero-emission buses to fulfill the government’s target of 5,000 new buses. Like-for-like replacement of diesel buses locks in emissions and higher operating costs for 12 years or more.

¹⁹ <http://beartrain.ca/wp-content/uploads/2020/02/MASK-WA-OO-TA-BAN-BearTrain-BusinessPlan-LowRes.pdf>

²⁰ <http://beartrain.ca/wp-content/uploads/2017/08/CN-Passenger-Train-Impact-Report.pdf>

²¹ <https://kitchener.ctvnews.ca/region-of-waterloo-proposing-all-electric-fleet-of-buses-1.4955659>

²² <https://globalnews.ca/news/6422264/electric-guelph-transit-buses-funding/>

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.²³

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

²³ <https://www.thewhig.com/news/local-news/on-demand-service-earns-belleville-transit-national-recognition/wcm/ffb86b81-3a0e-427f-aca8-60bfaef20c4d>