



TRANSPORT ACTION
CANADA

**WRITTEN SUBMISSION FOR
FEDERAL BUDGET 2023**

TRANSPORT ACTION CANADA

February 2023

SUMMARY OF RECOMMENDATIONS

Recommendation 1: Provide **VIA Rail Canada** with \$1.5bn **capital funding** to completely renew Canada's **long-distance train fleet**, including providing barrier-free accessible cabins on all overnight trains.

Recommendation 2: Provide funding for track repairs to restore the **Vancouver Island Railway** to operable condition for regional passenger service and freight service to local industry.

Recommendation 3: **Extend zero-rating for GST to all train and motorcoach fares** so that rural and northern residents have the same tax treatment for public transport as residents in urban centres.

Recommendation 4: 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 5: Provide **VIA Rail Canada** with **stable operating funding** of \$400 million annually for five years.

Recommendation 6: Reinststate 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.

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

Canada's infrastructure efficiency is 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 of 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.

Successful public transport networks provide smooth connections between rail, bus, and other modes at reasonable cost. Poor coordination between modes in Canada causes high costs 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,³ the government must acknowledge this crisis and act swiftly to restore access to dependable public transport for all Canadians.

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>

³ <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>

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

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.
- A rapid and 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 land use optimization and population distribution through the ability to develop robust and well-connected communities throughout Canada.
- 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 more 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 eliminate up to 99% of emissions.
- While railway infrastructure is currently taxed, Canadian highways are 30% subsidized, net of all taxes and fees.⁴
- Railways are more resilient to winter weather and climate change related severe weather – a primary reason the Nordic countries invest heavily in rail.

⁴ https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/Commentary_385_0.pdf

1. REPLACE VIA RAIL'S LONG-DISTANCE FLEET

Recommendation 1: Provide **VIA Rail Canada** with \$1.5bn **capital funding** to completely renew Canada's **long-distance train fleet**, including providing barrier-free accessible cabins on all overnight trains.

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 also life-expired. The need to renew this equipment has been evident for several years.

The engineering report in fall 2022, leading to the implementation of unoccupied buffer cars to protect passengers in the event of a collision, brings this issue into sharp focus. The risk of a further wear-related defect in this aging equipment leading to the complete suspension of passenger rail across western Canada and the Maritimes remains deeply concerning.

We welcome the publication of an RFI for this project, yet we note that VIA Rail is currently struggling with fleet availability in the Quebec-Windsor corridor because of the two-year delay in funding that project. Therefore, we recommend the allocation of up to \$1.5bn in capital funding in advance, in budget 2023, to ensure that there is no repeat of this unnecessary delay.

VIA Rail has only six accessible cabins in its entire fleet service all of Canada, and therefore we recommend that accessible sleeping cars and day coaches be prioritised in the production sequence of the new fleet to offer barrier-free accommodation on all overnight trains.

The new fleet order should be large enough to operate a full schedule on all routes, with adequate spare equipment for maintenance rotations and service resilience. We recommend this be at least 342 cars, the equivalent of the original order placed by Canadian Pacific in the 1950s, plus the *Renaissance* equipment subsequently acquired from Britain, and additional heritage equipment from Amtrak.

2. SAVE THE VANCOUVER ISLAND RAILWAY

Recommendation 2: Provide funding for track repairs to restore the **Vancouver Island Railway** to operable condition for regional passenger service and freight service to local industry.

The population of Vancouver Island is now around 865,000 and rapidly growing, yet the VIA Rail passenger service was withdrawn in 2011, awaiting funding for track repairs.

A business plan to restore the service, and resume freight service to local industry has been prepared by the Island Corridor Foundation.⁵

A study undertaken by the BC government in 2020 costed the full restoration of the line at \$350 million,⁶ and the Island Corridor Foundation could commence early works immediately if funding is spread over multiple budget year years.

At minimum, funding in budget 2023 is needed to repair track between Nanaimo and Parksville to assure the Snaw-Naw-As First Nation of the federal government's good faith in continuing to use the corridor for transport purposes, thus resolving the lawsuit the First Nation brought against Canada. If funding is not provided in accordance with the deadline set by the BC Court, Canada will be required to surrender the lands.

We understand the federal government is consulting with British Columbia on this question, but the importance of this corridor as a part of Canada's national passenger and freight transportation networks is a federal matter, as is resolving the lawsuit. The BC Court was highly critical of Canada's lack of engagement in its ruling, and the municipalities in the region are calling upon Canada to act.⁷

⁵ <https://www.islandrail.ca/wp-content/uploads/2022/05/Initial-Business-Case-FINAL.pdf>

⁶ 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

⁷ <https://vancouverisland.ctvnews.ca/crd-supports-settling-land-claims-for-vancouver-island-rail-corridor-1.5989640>

6. REMOVE GST FROM ALL PUBLIC TRANSPORT FARES

Recommendation 3: Extend zero-rating for GST to all train and motorcoach fares so that rural and northern residents have the same tax treatment for public transport as residents in urban centres.

There is currently a difference in tax treatment in fares between VIA Rail and provincial commuter rail services, and between motorcoach service providing public transit over provincial highways versus municipal bus services, even when the services have similar routes. For example, VIA Rail intercity train fares between London and Toronto are taxed and GO train fares are not. This is not a logically defensible policy.

Extending sales tax zero-rating to all train and bus fares would improve affordability, incentivize low-carbon mobility, help to ensure the economic viability of many marginal and at-risk bus routes operated by private sector carriers, and reduce the subsidy requirements of public-sector train and motorcoach operators.

4. STRATEGIC RAIL INFRASTRUCTURE FUND

Recommendation 4: 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**.

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 climate and geopolitical 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 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.⁸
- 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,⁹ and terminating federal highway funding except for northern and indigenous communities.

⁸ http://www.chfca.ca/wp-content/uploads/2019/09/GOC-Buses_Train_en_WEB1.pdf

⁹ <https://www.rccao.com/research/files/RCCAO-STATION-TO-STATION-REPORT-APRIL2020.pdf>

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. Contribute to restoring Calgary-Banff passenger service by expanding capacity on Canadian Pacific's main line. **\$500m.**
- C. 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.**
- D. Continue federal contributions to repairing the Gaspésie Railway.
- E. Repair the Cape Breton Railway in preparation for a new container port in Sydney, NS. **\$110m.**¹⁰

QUEBEC-WINDSOR CORRIDOR

We welcome the government's commencement of procurement for the High Frequency Rail project, yet remain skeptical of the financial viability of transferring revenue risk to a private sector partner over a 30-year or longer concession period, because ridership will be determined by matters of public policy such as land use planning, transit connectivity, immigration rates and macroeconomic growth, none of which a private partner can control, plus unforeseeable externalities like public health or geopolitical crises.

Deployment of funding already committed to deliver tangible progress should be a priority, including advancing delivery of project elements where rail infrastructure already exists, such as resuming passenger service between Peterborough and Toronto.

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 2023 with a view to restoring service before 2030.

¹⁰ <https://www.cbc.ca/news/canada/nova-scotia/cape-bretoners-call-for-repairs-to-crumbling-rail-line-1.5612633>

ENSURING FAIR VALUE FOR PUBLIC INVESTMENT

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.¹¹

Since 2010, increasing delays have made trains across Canada much less convenient for Canadians and deterred international tourism.^{12,13} 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.¹⁴

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.

A properly crafted Fair Rail for Passengers Act drawing upon previously debated legislation^{15,16,17} 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.¹⁸

¹¹ https://www.oag-bvg.gc.ca/internet/English/parl_oag_201602_07_e_41251.html#ex5

¹² <https://globalnews.ca/news/6591508/via-rail-delays-the-canadian/>

¹³ <https://trn.trains.com/news/news-wire/2019/12/23-vias-canadian-reaches-vancouver-27-hours-late>

¹⁴ <https://www.thechronicleherald.ca/business/halifax-commuter-rail-not-coming-but-councillor-still-holding-out-hope-324307/>

¹⁵ <https://www.parl.ca/DocumentViewer/en/42-1/bill/C-370/first-reading>

¹⁶ <https://www.parl.ca/DocumentViewer/en/42-1/bill/C-387/first-reading>

¹⁷ <https://openparliament.ca/bills/41-2/C-640/>

¹⁸ <https://www.transportaction.ca/wp-content/uploads/2019/09/TAC-2019-Policy-Briefing-VIA-Rail.pdf>

5. STABLE OPERATING FUNDING FOR VIA RAIL

Recommendation 5: Provide **VIA Rail Canada** with **stable operating funding** of \$400 million annually for five years.

VIA Rail Canada has requested five-year stable funding to allow efficient planning and innovation to serve growing passenger demand.¹⁹ 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.

In the short term, VIA Rail needs to be able to recruit additional staff in operations and customer service roles to have the bench strength necessary to respond to disruptions such as those that occurred on December 23, 2022, and to be able to restore pre-pandemic service levels.

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.

¹⁹ https://www.viarail.ca/sites/all/files/media/pdfs/About_VIA/our-company/corporate-plan/Corporate_Plan2019.pdf

6. MASK-WA OO-TA-BAN – ALGOMA PASSENGER RAIL

Recommendation 6: Reinstatement of 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.

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.

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>