TRANSPORT ACTION
CANADA

WRITTEN SUBMISSION FOR FEDERAL BUDGET 2024

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SUMMARY OF RECOMMENDATIONS

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

Recommendation 2: Provide funding to address issues raised by First Nations on Vancouver Island and for track repairs to restore the **Vancouver Island Railway** to operable condition for regional passenger and freight service.

Recommendation 3: Provide **VIA Rail Canada** with **stable operating funding** of $400 million annually for five years.

Recommendation 4: **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 5: Create a **Strategic Rail Infrastructure Fund** under the ***Investing in Canada*** program and in conjunction with the Canada Infrastructure Bank with an allocation of up to **$5 billion annually.**

Recommendation 6: Reinstate 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 7: Provide permanent funding for transit and commuter rail operating costs.

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 and urban 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.

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[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.
- Upgrading to electric or hydrogen propulsion would 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 at least $1.5bn **capital funding over 10 years** 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 completion of an RFI for this project last year and understand that VIA Rail is ready to proceed. We have requested this funding be considered in previous budgets, and it is crucial that there is no further delay.

The timeline for the manufacture and delivery of new equipment is up to a decade, as is the remaining life of the existing equipment. Failure to advance procurement in 2024 would be tantamount to a decision to cancel VIA Rail's long distance and remote services, beginning in the early 2030s.

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.

Transport Action asks that a new fleet order and its options 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. RECONCILATION AND REOPENING THE VANCOUVER ISLAND RAILWAY

Recommendation 2: Provide funding to address issues raised by First Nations on Vancouver Island and for track repairs to restore the **Vancouver Island Railway** to operable condition for regional passenger and freight service.

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.

On March 14, 2023 the government of Canada and British Columbia announced a reconciliation-first approach to the corridor, recognizing both the importance of the railway as a transportation corridor and the legitimacy of the concerns raised by First Nations whose reserve lands and traditional territories the line crosses, and initiating a $18 million process which now includes four working groups examining section of the route.

A business plan to restore passenger service and resume freight deliveries 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 on its existing alignment at $350 million,[6] and the Island Corridor Foundation could commence early works and prevent further degradation of infrastructure if funding is spread over multiple budget year years.

Addressing the concerns of First Nations, both directly related to the corridor and more broadly, will require both nation-to-nation engagement by the Government of Canada and resources to fulfil the agreements which result. Railway-related measures which could be considered range from additional safety, noise, or drainage mitigations; adding protected crossings; trenching and covering the tracks; to realignment around reserve lands or offsetting additions to reserve lands, as advised by the First Nations concerned.

Canada should anticipate substantial spending to fulfil its reconciliation obligations.

[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

3. STABLE OPERATING FUNDING FOR VIA RAIL CANADA

Recommendation 3: 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.[7] 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 to support its remote services to Canadians.

VIA Rail is now seeing a strong return in ridership, and needs to be able to meet that demand, including restoring trains 650 and 651 between Kingston and Toronto, and increasing service frequency in southwestern Ontario as the corporation has proposed since 2015.

The corporation's challenge outside the Quebec-Windsor corridor is maintaining fixed assets like stations that are served by fewer services than they were designed for, and so while recent funding to restore heritage building is welcome, the longer-term solution, consistent with meeting Canada's climate and socio-economic goals, is the restoration of useful 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 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.

For this reason, we *strongly oppose* the outsourcing of operations and revenues from High Frequency Rail, which was originally intended to generate revenues for reinvestment in VIA Rail's Canada-wide network and services and reduce the operating funding requirement over the longer term.

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

4. REMOVE GST FROM ALL PUBLIC TRANSPORT FARES

Recommendation 4: **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 services 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 Kitchener incur a sales tax while GO train fares do not. This is not a logically consistent tax environment.

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.

Identical tax treatment for all public transport would also facilitate integrated interline ticketing covering local, regional, and long-distance segments of the same passenger journey.

5. STRATEGIC RAIL INFRASTRUCTURE FUND

Recommendation 5: Create a **Strategic Rail Infrastructure Fund** under the ***Investing in Canada*** program and in conjunction with the Canada Infrastructure Bank with an allocation of up to **$5 billion annually.**

The proposed 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:

- Prioritize rebuilding the Chignecto Isthmus sea defences to avert a failure which would sever both the railway and highway, catastrophically incapacitating eastern Canada's supply chain.
- Accelerate the replacement of the aging New Westminster Rail Bridge, already studied by the CIB, to relieve a critical 10mph bottleneck for freight and passenger service in the BC Lower Mainland.
- 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; optimizing financing tools, including capital cost deductions, grants, loans, and land value capture.
- Measure investments against a goal of rail industry net-zero emissions by 2040.
- Collaborate with the United States Federal Railroad Administration and Amtrak to improve cross-border infrastructure, freight movement, and passenger services, including the restoration of Chicago-Toronto connectivity proposed in Amtrak's ConnectsUS plan.
- Ensure the delivery of joint federal-provincial rail project commitments like the GO Milton upgrade.
- Maximize the benefits of Canadian technological leadership in hydrogen by supporting deployment of hydrogen fuel cell trains where economically viable.[8]
- Maximize Canadian content in funded projects, matching the US policy of 75% domestic content.

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

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.

QUEBEC-WINDSOR CORRIDOR

We welcome the government's commencement of procurement for the High Frequency Rail project, yet we strong oppose transferring revenues to a private sector partner over a 30-year or longer concession period, because ridership and revenues will be largely determined by matters of public policy such as land use planning for housing development, 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 2024, in concert with Alberta's objective of providing commuter rail services to Airdrie and Leduc.

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.[10]

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

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

[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

railroads post exceptional profits. Meanwhile, commuter rail projects have been stymied by refusal to guarantee schedules in return for public investment.[13]

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[14,15,16] 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.[17]

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[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]5https://www.transportaction.ca/wp-content/uploads/2019/09/TAC-2019-Policy-Briefing-VIA-Rail.pdf

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

Recommendation 6:	Provide capital funding of $75 million and reinstate 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 Ste. 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 295-mile 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).[18] 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.[19]

The costs to reinstate service have risen due to the extended hiatus. Remediation of ten years of deferred track maintenance north of Hawk Junction may cost up to $52 million and repairs to bridges at Oba Lake will cost $15 million. However, these capital investments would also prepare the route to be used to economically transport minerals from the "Ring of Fire" region south to Sault Ste Marie for processing and transloading. Stations at Oba, Franz and Dubreuilville need to be rebuilt at a cost of $6 million, and other startup costs including acquiring passenger coaches refitted for accessibility total $2 million.

Subject to confirmation of track access charges comparable to those prior to suspension of the service, ongoing operating funding would be $2.2 million annually. Decreased social service costs and new tax revenues would make this operating funding net positive for the Canadian treasury.

[18] https://ontario.transportaction.ca/wp-content/uploads/2024/02/MASK-WA-OO-TA-BAN-BearTrain-BusinessPlan-2020.pdf

[19] https://neorn.ca/wp-content/uploads/2016/04/CNPassengerTrainImpactReport_FINAL_06-09-2014.pdf

7. PERMANENT FUNDING STREAM FOR TRANSIT OPERATING COSTS

Recommendation 7: Provide permanent funding for transit and commuter rail operating costs

The federal government has increasingly provided welcome capital funding support for urban transit, particularly rapid transit and transit bus electrification, and for rural transit vehicles through the Rural Transit Solutions Fund. During the COVID-19 pandemic, it also intervened jointly with the provinces to provide emergency operating support through the Safe Restart Agreement. This was vital to preventing a complete collapse in transit service.

Transit ridership and fare box revenue has recovered rapidly, exceeding pre-pandemic levels, in many jurisdictions where service levels were able to be maintained, in some cases causing serious crowding. However, funding shortfalls have caused other transit agencies to cut service, potentially locking in pandemic loses, and decreasing social equity and labour market access.

Mismatched capital and operating funding results in existing fleet capacity being idled, or capital funding intended to address service gaps going unused. Canadian Urban Transit Association statistics show that up to 2,000 buses may be idled due to lack of operating funding, and service hours provided fell sharply between 2021 and 2022.[20]

The Permanent Public Transit stream needs to be expanded to ensure financial stability for public transit and commuter rail operations.

[20] https://cutaactu.ca/news-resources/statistics/