

42. Improve the Financial Viability of VIA Rail to Increase Passenger Rail Service in Canada

Issue

VIA Rail is losing money and has consistently done so since it became a Crown corporation in 1977. This decline in the areas of infrastructure, equipment renewal and dedicated passenger rail rights-of-way must be addressed. By improving service in the most used corridor (Quebec City – Windsor), the profitability of the VIA Rail corporation would improve, enabling it to better serve all Canadians while generating economic growth.

Background

VIA Rail provides intercity transportation across the nation, from Prince Rupert to Halifax. Since 1977, it has experienced repeated funding cuts resulting in budgetary deficits, reduced service, declining on-time performance and cuts to services across Canada, particularly in lesser populated and less central regions. The average ridership in the 1980s was 6.8 million passengers annually. After the federally-mandated cutbacks to service, staff and spending in 1989, ridership dropped by 45%¹ by the following year and remained low since then. In 2015, VIA Rail carried only 3.8 million passengers and had an operating loss of \$280 million².

The movement of goods and people, whether they are workers, students, tourists or seniors, is essential to a growing economy, but each year traffic congestion costs our economy an estimated 8 billion³. By increasing public and private investments in dedicated passenger rail lines and high frequency service, VIA would reduce commuter gridlock in the busiest corridors.

Investments in VIA Rail and its infrastructure would also create more options to connect to other transportation modes like light and shortline rail. It would increase connectivity to other, smaller and more remote communities and enable trains to run faster and more frequently. Ridership and tourism would increase, and manufacturing, engineering and construction jobs would be created.

Dedicating lines for passenger rail would also ease the movement of freight traffic. The current model of sharing track is no longer practical for either party, due to significant increases in freight being moved across Canada over the past decades. If freight traffic continues to increase as expected, VIA service will become less efficient and less profitable. However, dedicate passenger lines would allow VIA to control the frequency and reliability of its trains and attract more customers.

Increasing intercity passenger rail would also be a marked reduction in the transportation sector's share of greenhouse gas emissions as there would be fewer cars on the road and modern fleets would generate fewer emissions. In the Montreal-Toronto corridor alone, high frequency rail would increase ridership 3.5

¹ "VIA Rail Canada Inc. and the Future of Passenger Rail in Canada", Jean Dupuis, Industry, Infrastructure and Resources Division, Parliamentary Information and Resources Division, 2011

² 2015 VIA Rail annual report

³ "Modernizing Passenger Rail: A Generational Imperative", Yves Desjardins-Siciliano, Canadian Politics and Public Policy, Policy Magazine, May/June 2016

times, significantly reducing the current 87% of trips made by car⁴. The National Association of Railroad Passengers reports that rail is the most energy efficient means of transportation over distances more than 100 km. It is 22.7% more energy efficient than travel by car and saves 4.2 billion gallons of gasoline.

The 2016 federal budget addressed some of these concerns by committing \$3.4 billion towards public transit systems across Canada. This includes \$44 million towards VIA Rail fleet renewal “pre-procurement”, safety improvements, improving station and maintenance centres and assessing the need for high frequency rail. Given the government’s commitment to the movement of people and goods, and its decision in 2015 to decrease operational funding for VIA Rail by \$37.1 million, even more funding is needed for passenger rail.

By focusing its initial investments in the most travelled and profitable corridor (Quebec City to Windsor) the company could boost its profits, become economically viable and better positioned to serve other regions in Canada. By accessing public and private funding, VIA would be capable of expanding its service across Canada, while contributing to (not hindering) economic growth and minimizing the use of taxpayer funds.

Recommendations

That the federal government:

1. Enable VIA Rail to raise the necessary financial capital to improve and expand its services to more communities across Canada by:
 - a. Supporting VIA Rail’s plan to acquire dedicated rights of way and invest in high frequency rail corridors.
 - b. Enabling VIA Rail to seek private sector investment in dedicated lines and enter into private-public partnerships for the operation of stations.

⁴ “VIA Rail looks to private investment for \$3-billion dedicated track plan”, The Globe and Mail, June 4, 2015