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Chair

Mr. Merv Tweed

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● (1530)

[*English*]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Good afternoon, everyone.

Welcome to the Standing Committee on Transport, Infrastructure and Communities, meeting number 19. On the orders of the day, pursuant to Standing Order 108(2), this is a study of high-speed rail in Canada.

Joining us today, from High Speed Rail Canada, is Mr. Paul Langan, founder. And from the Railway Association of Canada—and I don't think he is any stranger to us here—we welcome Cliff Mackay, president and chief executive officer.

Everybody knows the rules. I don't know if you have flipped a coin as to....

Cliff, please proceed.

Mr. Cliff Mackay (President and Chief Executive Officer, Railway Association of Canada): Thank you, Mr. Chair.

As president and CEO of the Railway Association of Canada, I welcome the opportunity to appear before the committee today to speak on the subject of high-speed rail in Canada.

Our membership, as you know, includes Canadian class one freight railways, CN and CP; a number of U.S. class one railways that operate in Canada, such as BNSF; and some 40 shortline freight railways. Further, we represent regional railways, such as Ontario Northland; Canada's national passenger railway, VIA; large commuter railways GO, AMT, and West Coast; a number of smaller commuter railways; and a number of tourist railways across the country.

Overall, the RAC fully supports all measures that foster increased use of passenger rail services in Canada, including the development of high-speed rail systems. I cannot recall a time when Canadian public support for high-speed rail has been higher. Polling commissioned by the RAC demonstrates that high-speed rail is supported throughout Canada, even in regions of the country where it is unlikely that high-speed rail service will be available at any foreseeable future time. Support is also strong for public and private involvement in future high-speed rail projects.

Going forward, Canada needs both conventional and high-speed rail passenger services. A high-speed rail system must not operate in isolation; it must be a component of a multimodal transportation system. In terms of system efficiency, good linkages to public transit, airports, conventional intercity passenger rail, buses, and a range of other services are absolutely critical for high-speed rail to optimize its benefit to the country.

Today I'd like to focus my comments on the role of governments and the private sector in developing high-speed rail networks and the associated benefits for the rail system, Canadian industry, technology, and the environment.

First, on the public-private interface, there is clearly a role for both public and private sectors in developing a high-speed rail system. Quite frankly, both parties need to work together for high-speed rail to be realized. No major high-speed rail project in the world has been developed by only one of the parties. It takes two to get these jobs done.

To begin, we are glad to see that governments are currently supporting the feasibility study of high-speed rail in Quebec and Ontario and have supported past studies, such as the one recently completed in Alberta. The Quebec-Ontario study should be completed in a timely manner and should look at a range of economic issues, including industrial and environmental benefits for Canada and the potential for technological development and deployment.

Further, this assessment must consider all aspects of the rail network. Entire system efficiency is critical to the future success of our industry. Governments should avoid trade-offs between one part of the system, such as freight, and another part of the system, such as high-speed rail. Investments in passenger rail can improve the rail system for both freight and passenger rail if properly planned and implemented. The current $407-million program to upgrade VIA services on CN's main line is a very good example of those sorts of synergies.

Further, governments must undertake banking, where necessary, of identified corridors. The RAC is aware that the banking of land is currently taking place in Alberta. Getting the corridors identified and the dedicated high-speed rail rights-of-way in place is a critical step in developing any high-speed rail system. To ensure safety and efficiency, the high-speed rail system cannot share track owned and operated by our freight railways. Simply put, ladies and gentlemen, you cannot operate a train at 150 to 200 miles an hour on the one hand, and a freight train at 40 to 60 miles an hour on the other, on the same track. It just won't work.

We believe that it is incumbent on governments to explore all financing options, including public-private partnerships. Even in this current economic climate, there are large pools of capital available in Canada that would be attracted to investments in infrastructure projects that will provide long-term, reasonably predictable returns. I believe that there's greater public support for a partnership arrangement than there is for governments trying to go it alone.

Let me speak now about other benefits. I would like to make a few points about industry, technology, and the environment.

● (1535)

The government must do a thorough analysis of industrial benefits associated with high-speed rail. Canada currently has the resources and the in-house know-how to develop high-speed rail systems. We have a mature railway-supplier industry, including world-class expertise in engineering, track, signaling, locomotive, and railcar design. Given the relatively small passenger rail service market in Canada, Canadian firms export their products and services globally and have been leaders in developing high-speed-rail systems around the world.

Further, constructing a high-speed-rail system would allow manufacturing that was once done in Canada to re-emerge. An example I like to use is steel track. We have the expertise and the capacity to produce track in Canada, but the market is currently not large enough to justify domestic production. The construction of high-speed-rail systems in Canada would require approximately $4 billion in track over a ten-year period. That may be enough to turn the corner. Overall, the development of high-speed rail is a tremendous opportunity for our suppliers and engineers to showcase their expertise and further develop advanced technologies for the Canadian and global markets.

Going further, the demand for transportation, both passenger transportation services and freight, will continue to grow. The recent growth in passenger services, both inter-city and commuter, reached almost 10% last year in 2008. The RAC is pleased that governments are continuing to make significant investments in passenger rail services that will allow our railways to accommodate current and future demands.

Finally, from an environmental standpoint, passenger rail must capture a greater share of future growth in passenger services. If you look at the growth of greenhouse gases over the last decade in Canada, it has occurred primarily in heavy industries and transportation. Measures taken in other areas of the economy to reduce GHGs will be overshadowed if we do not take meaningful action to curb the growth of GHG emissions in the transportation sector. Given the environmental advantages of rail, high-speed rail can significantly contribute to reducing GHG growth, and act as a sustainable component to our national passenger multi-modal system.

I'd like to end on those remarks, Mr. Chair.

Thank you very much for your attention.

● (1540)

The Chair: Thank you very much.

Paul.

Mr. Paul Langan (Founder, High Speed Rail Canada): Thanks a lot.

High Speed Rail Canada is a non-profit organization. I just want to let you know right off the top that we are non-partisan. We don't accept any money from the Railway Association of Canada, Bombardier, Siemens, and Alstom. That gives us a lot of credibility when we go out and do public symposiums, and we have our website to educate Canadians. We have just one method, one scope: it is to educate Canadians on the benefits of high-speed rail in Canada. Again, as I mentioned, we do it through our website and through our public symposiums.

As Cliff mentioned, this is an exciting time in high-speed rail. I can't say enough. I get phone calls to have these public symposiums in different cities, and I have to tell them that I have children, I have soccer schedules, and we can't do it this summer. Windsor, Ottawa, Montreal, Calgary, and Vancouver want us to come to their community to give a symposium on high-speed rail. The website regularly gets 200 hits a day. The studies are accessed on the site. So it is an exciting time.

When I talk about the benefits of high-speed rail, or higher-speed rail, I think it's good to do a quick definition. What I mean by high speed is anything over 200 kilometres an hour. Some people argue that's low, and that's true. In Europe the normal speed for a lot of the lines is 325 kilometres an hour, far above the 150 that VIA Rail does. Higher-speed rail is also part of the picture.

I want to go to President Obama for a second. As we all know, he made a visionary statement two weeks ago when he went on American television and said we have to modernize our passenger rail system. When I talk about higher-speed rail, two of the corridors he mentioned are ones that I'm going to mention here for examples of higher-speed rail. He mentioned Vancouver to Seattle. Vancouver to Seattle is a good example. Amtrak runs that now. It's never going to be a 300-kilometre-an-hour area, but it is an area where they can do track improvements, where they can do improvements with freight, and they can get the speeds up to maybe 150 kilometres an hour.

So there are two things we're talking about here: high-speed rail, but we're also talking about higher speeds. And we're not just talking about Calgary and Edmonton, corridor number one for high speed; and the number two corridor, of course, is Windsor to Quebec City. I give the example of Vancouver to Seattle. The President also talked about Montreal to Boston. Again, that would be something over a longer period of time. The studies have been done that they would go up to a higher speed. Right now, they don't even connect; the track has been taken out.

So why high-speed rail in Canada? I'm going to go into the typical reasons, but I want to give you the example of what happened to me today when trying to get here from Kitchener, Ontario. I live about an hour and a half west of Toronto and last Friday I tried to book the flight. I called Bearskin Airlines, which fly from Kitchener to Ottawa. They wanted $750. I told that to the cab driver coming in from the airport today. He said he went to Cuba for a week, all expenses paid, for $750. Something is wrong. So then I thought, okay, I'm going to call VIA. VIA was going to take seven hours to get here from Kitchener. It would take me 14 hours back and forth to give what might be a one-hour presentation. We need to modernize.

One more example. I got Air Canada coming here, but going back to Toronto from Ottawa tonight, I couldn't get Air Canada. Their flights were $525. This is simply not acceptable in a modern G-8 country like we have. So when I say that Canada is the only G-8 country without a high-speed rail system, we're so far behind what is an accepted norm of a viable alternative to taking your car or flying, it's hard to explain how bad it is.

I just gave you three examples, and that's for one flight I booked, for one time I tried to come here.

Let's move on to the benefits. And feel free at the end of this to ask me questions, because I'm not coming at it from anywhere. I'll tell you the good, the bad, and the ugly. It's a movie I like, actually, but that's another question.

Reduced travel time.... A good example is the Calgary-Edmonton corridor. We're talking about going down from three hours to an hour and a half. In the Quebec corridor we're talking about going down from four hours to three hours, or four to two hours, depending on the times. This in itself gives you more time to do other things. This improves your quality of life.

● (1545)

Cliff talked about greenhouse gas emission reduction. The studies have been done. I have two here: one from Calgary in 2004, and another from the Ontario and federal governments in 1995. By 2025 carbon dioxide and carbon monoxide emissions are going to be reduced by up to 24% along the corridor, Ontario to Quebec. There are 17 studies. This is not news. In the Calgary study, we see a reduction of 1.8 million metric tonnes of greenhouse gas emissions. This is from 2004, three years ago. The Alberta government actually has another study from 2007.

With respect to reduced dependency on petroleum, I can give you an example from California. You're going to say that California isn't Canada. There are some similarities—they're new at it, and the Ontario-Quebec corridor and the California corridor cover about the same distance. When they implement the California high-speed line, they're going to save 12.7 billion barrels of oil per year. That's significant, getting off our oil addiction. We all know about that. It's a well-known fact that twin-track railway has a typical capacity 13% greater than a six-lane highway. That's not new. It's been around for decades. And it takes 40% less land. Isn't that good?

We know we have an economic crisis in Canada. Employment is important, no doubt about it. We need to get people back to work. The two high-speed corridors, according to the 2004 Calgary study, would create 25,000 to 52,000 person-years of construction employment and $1 billion to $2 billion in associated employment income. There will be 2,000 to 4,000 direct and indirect jobs produced. Jobs—that's getting people to work! The study is only three years old; it's a current study. The 1995 study says that in Ontario-Quebec, over 25 years, more than 1,700 jobs per year will be created. That's just part of the reason you go high-speed rail. I'm not saying it's going to solve all your economic problems. It's part of a positive puzzle that, once you put it together, gives us an alternative to the road or the air.

My favourite point is public safety. I work in occupational health and safety. I stopped watching the TV news three years ago because it was so depressing. It would often start with the latest car crash in my area. The Ontario-Quebec federal study said 40% of the riders on the high-speed rail line would be former auto users. Wouldn't it be amazing if there was a 40% reduction of traffic on the 401?

Then there's the technology. This is the gold standard in France—the TGV Alstom. They have over 650 high-speed trains a day going. They carry over 900 million passengers a year. Since 1981, they've had zero fatalities. That's what we want to see. You have to put public safety first. It's nothing new. What are we talking about—24, 28 years old now? The proof's there.

For all those reasons, I think we need to move forward on high-speed rail.

I thank you for having me come in today.

The Chair: Mr. Volpe.

Hon. Joseph Volpe (Eglinton—Lawrence, Lib.): Mr. Mackay, Mr. Langan, thank you for joining us and sharing with us your views.

Let me begin by saying that you'll find many receptive ears around the table, but you'll also find some rather skeptical and cynical ears. The committee is in the process of trying to determine whether we can move from skepticism to planning and realization.

Mr. Mackay, one of the things that would help us has to do with financing. One of the statements in your brief referred specifically to the amount of money that would have to be expended over a ten-year period for rail itself. Some people think that's a cost; others might think it's an investment. I think you were a part of the initial study, in the 1990s, that Mr. Langan referred to, so you have an intimate view of the financing associated with this. People are talking about $20 billion to $30 billion for high-speed, including Calgary-Edmonton, so we're not talking about just one corridor. In that study, which looked at the financing, what was the cost per year in round terms, for the federal government in a partnership situation, up to and including the first year of operation?

● (1550)

Mr. Cliff Mackay: It's difficult to give you a precise answer, but let me try to lay out at least some parameters.

We do have some recent examples of this kind of financing in Canada that have been quite successful. I should say that.

The cost would be driven essentially by two things. The first is the nature of the business relationship between the public and private party. Generally speaking, you would want the private party to take on all the operational obligations, and probably the forward obligations, perhaps not for further expansion of the system, but at least for maintenance of the system.

In a system as big and complex as just one of the corridors.... Let's pick a number of $20 billion, just for argument's sake—

A voice: Windsor-Quebec.

Mr. Cliff Mackay: Okay. That would probably amount to about 20% to 25% of the overall initial costs. You're probably looking at $4 billion to $5 billion there. You're basically looking at a $15 billion financing requirement.

The critical element that will drive that financing requirement is the degree to which you can demonstrate in a financial prospectus reasonable predictability on revenue flows for that particular enterprise—ideally, revenue flows at a level that would pretty much guarantee some reasonable return to the investors. There are two ways to do that. We have done this in Canada quite successfully with our airport model. You basically have to ensure that the entity has some reasonable assurance of market share. The way we do that in the airport model is that we license the airports, and only certain airports can provide services. So it's not a free and open market. You would have to consider the same sorts of things for a high-speed rail operation.

The second thing you would need to look at would obviously be the marketing studies. Can you reasonably satisfy yourselves that you see a traffic base and a traffic growth that would get you there? That's exactly what they're looking at in the updates of the studies that are going on now in the corridor.

I must tell you, frankly, that back in the 1990s that was a difficult proposition. We're in a different world today. Look at traffic patterns today, particularly in the corridor, and compare them to 15 years ago. They've increased dramatically, by factors of two or three. While I certainly am not privy to the financial analysis that's going on at the moment, I would suspect that the numbers would look somewhat different.

The last point I would make is that it has not been unusual, with these sorts of projects or with airport evolution or some of the other projects of a similar nature, for the government to look at some short-term guarantees at the front end to reduce some of the early market risk and to attract further private sector investment into the play.

Those are some of the dynamics that need to be considered.

Hon. Joseph Volpe: Unless I'm mistaken, the study to which we've both referred gives an indication that had they gone ahead with the project back in the early 1990s, by this year they would be anticipating a ridership of already about ten million just along the Toronto-Montreal corridor. They felt that eight million would have been more than sufficient to justify financing, both by the private sector and the public sector. If I recall again, they felt that by next year that figure would have gone up to twelve million.

So we're already in that range where the amount of traffic or capacity that would have been filled and would therefore have maintained an operation far exceeds the figures anticipated, with the population growth that nobody anticipated 15 years ago.

What is it, in your mind, that's been holding things up?

● (1555)

Mr. Cliff Mackay: I think it's a combination of things. First, there clearly needs to be political leadership on something like this. These sorts of activities have never happened anywhere in the world, including Canada—you can talk about the seaway, you can talk about the pipelines, you can talk about the Trans-Canada Highway, you can talk about the CPR back in its day—without some clear political leadership and direction. Only governments can provide that. That's critical.

The second thing is I think there has been a lack of focus on the studies. You absolutely must come to some general understanding of where these corridors are going to go. If you don't do that, and either assemble the land or make whatever arrangements need to be made with current corridors, you just don't have a basis upon which to begin any kind of business consideration.

Those are the two most critical things—political will to say we're going to do this; and the definition of the physical corridors, because without it, there is so much uncertainty that it's impossible to proceed.

Hon. Joseph Volpe: Mr. Mackay, I'm hoping I'll get a chance to get to Mr. Langan, but since your members, particularly two of them, are already great proprietors, landowners, along the potential corridors, is there enough land already assembled just by your major members to satisfy a quick assessment of at least the most likely corridors? I say most likely because you're already occupying them.

Mr. Cliff Mackay: I think the answer is somewhat. The problem is that you have bottlenecks in various parts of the system. The other major problem with using those existing corridors is grade crossings. There are literally thousands of grade crossings on those main-line corridors. You absolutely cannot have grade crossings with high-speed rail. It would be a public safety disaster.

It may not be feasible from a cost point of view to look at those corridors. You may have to look at other corridors where you do not have that issue, at least not to the same degree.

The Chair: Thank you.

Monsieur Laframboise.

[*Translation*]

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Mr. Mackay, you say that the government must send a clear message. But industry must send a clear message too.

In your presentation, you mentioned the $4 billion needed to modernize or update the railways over ten years. You also mentioned the $407 million provided to VIA Rail. But we are still operating on a network that is partially used by passenger traffic, but mostly by freight trains.

Have we not just come to a junction? Do we not really need a passenger rail network that is completely separated from the freight trains? That is the clear message that the industry has to send to us. Are we there yet? This is important for the future. We are in an economic recession at the moment, but, before the recession, there was phenomenal growth in rail freight. That is good, but we cannot develop passenger transportation and freight transportation on the same network.

[*English*]

Mr. Cliff Mackay: You're absolutely correct. If you're going to develop high-speed rail, as Mr. Langan defined it, you need a separate rail system. You cannot operate both of them safely at those speeds.

When I was referring to the current VIA project, what's going on there, is that we're producing longer high-speed sidings and whatnot so that we're allowing more efficiency in the use of the existing tracks for both passenger and freight. That is certainly a part of the system, and it will certainly be required no matter what we do with high-speed rail, because you have to have feeder systems.

I only made that observation to demonstrate that there are ways to benefit both parts of the system, and they don't necessarily have to be in pure conflict. But you're absolutely right, sir: if you want to really develop a high-speed rail system it must be separate.

● (1600)

[*Translation*]

Mr. Mario Laframboise: My question is for you, Mr. Langan. We have the customer potential to be able to develop an independent network. You have analyzed different types of networks. When Transport Canada representatives appeared here, they gave us the definitions of conventional trains, higher speed trains and high speed trains. You seem to be telling us that we need high speed trains.

Would another technology be acceptable or feasible? I would like to hear your opinion about that, Mr. Langan.

[*English*]

Mr. Paul Langan: Thanks for the question.

Again, for two corridors, it is my opinion that they have the potential for high-speed rail over 200 kilometres: Calgary-Edmonton and Ontario-Quebec. They can choose to go higher speed, which is what Cliff had mentioned with VIA Rail, going a little quicker on the same track as VIA, as the freight trains, but those are the two corridors. And on the Ontario-Quebec corridor, 17 studies said let's go, and we're waiting for number 18.

For Edmonton and Calgary, there are two options. You can go on the existing freight track with CP. Their proposal is there, with a Bombardier jet train and go up to 200 kilometres an hour. Or you go on a complete separate one, you go TGV, high-speed, up to 300 kilometres an hour. Our job, for High Speed Rail Canada, when I go into the community and I do education, is to provide people with the options. Here's what there is. We educate people. We show videos. We have questions and answers. We do not say here's the report from Calgary. We do not say you must go 300 kilometres an hour. We say here are the two options; please, let's move forward. They're viable. The studies say they're viable, and cost-benefit analysis, revenue.... You talked about, Mr. Volpe, what if we had done it in 1995; in 2005, it says here, there would have been $900 million in revenue this year.

So to answer your question, we don't say here's the route, but we educate people on the options. Personally, I am not a fan of having the passenger train high speed and the freight train on the same track, because I put personal safety number one. For high-speed trains there are no level crossings. There is no chance for an accident to happen, and that's what we need, especially in Canada, where we haven't seen high-speed rail. If we had level crossings with high-speed trains, it would be very dangerous, in my opinion. But again, that's not what I promote when I go out and do speeches. We give the options.

Thanks.

[*Translation*]

Mr. Mario Laframboise: Mr. Langan, in your research, have you looked at what is happening in Europe? Can you summarize for us the kind of analysis that you have done?

[*English*]

Mr. Paul Langan: It's depressing in Canada when I look at the rest of the modern world. People always ask me to give them an example in Europe or Asia, and I just name off the countries. I had a reporter a couple of weeks ago saying to me the technology is there now. I said the technology was there 30 years ago. So in Canada, you ask why we haven't had it before. One of the problems is we've never seen it. We don't know what it is. When I was young I never got my car till I was 30. People always asked how I could live without a car. I never knew. With high-speed trains, we don't know what a modern passenger rail service looks like. We've never had it.

How many times do I answer questions about VIA Rail? I try to tell people to think outside the box.

Sorry for rambling.

The Chair: Mr. Bevington.

Mr. Dennis Bevington (Western Arctic, NDP): Thanks, Mr. Chair.

Mr. Mackay, you made a point here that it must be a component of a multi-modal passenger transportation system, and I think that's one of the tracks that we should be on here, so to speak.

Let me conduct my question here. I've noticed that the Chinese now have come out with a 400-kilometre electric car. We see that there are different things happening in the transportation industry. We have to make choices, but to make a choice about high-speed rail in absence of the other choices being presented, the systems that could be in place.... In the Quebec-Windsor corridor, have there been any studies that identify the options?

● (1605)

Mr. Cliff Mackay: I'm not sure of the degree to which you would like to look forward 10 to 20 years to quote new technologies, but there have certainly been some studies that have looked at intermodal relationships and how everything gets put together and what should happen.

Most of the work that gets done argues very strongly for the following kinds of relationships on the passenger side. In the major urban centres, you need a good, viable, efficient combination of light rail and bus urban transportation system. That needs to be closely linked into major nodes in the major urban centres for rail, air, and bus. And you need to make sure that if you're going to a high-speed system—this is quite routine now in places like Europe—your high-speed system ties directly into those major nodes, directly into the major airports, directly into the major train stations, and those train stations link directly into the subway systems and the bus systems and what not.

With regard to private passenger travel, there are a number of studies that are looking now at what's called intelligent transportation systems or intelligent highway systems, and they're all focusing on what we can do better in two contexts. What can we do better to increase the capacity of the existing system? In other words, allow private vehicles to travel closer to each other and ideally at higher speeds, but how can we do that and at the same time significantly improve the safety margins? There are a number of studies going on today that essentially would have.... Frankly, you would not be in control of your car. Some computer system would be.

Mr. Dennis Bevington: To go from there, if we'd instituted a fast rail system in this corridor when it was proposed in 1995, what would have been the difference in the expansion of other transportation services at the same time? What would have happened with the airports? What would have happened with the highway system?

Mr. Cliff Mackay: I think there would have been two substantial differences, and Mr. Langan mentioned one of them right off the top. You would have seen the congestion that you now see on the 401 develop much more slowly than it did develop, because a large number of those people would probably have opted to take the train rather than to take the car.

The second thing is you probably would have seen less short-haul regional air travel. By short haul, I mean quick flips to Ottawa and that sort of stuff. At the same time, if you'd configured it correctly, you probably would have seen more traffic through Dorval and through Pearson, because it would have had a much greater catchment area because of the distance of high-speed rail.

Mr. Dennis Bevington: But it wouldn't have made any significant difference to any capital expansions?

Mr. Cliff Mackay: That I don't know. I really don't know the thresholds on the highway—

Mr. Dennis Bevington: Is there any understanding of what it would cost to change the 401 or to improve the 401 to reduce the congestion, to prepare the 401 for...? Is there any understanding of that cost? I want to get you—

Mr. Cliff Mackay: The answer, sir, is yes. I don't have those numbers off the top of my head, but it costs billions of dollars to go from twin to three lanes on the 401, which is exactly what's going on today.

● (1610)

Mr. Dennis Bevington: Yes, those are the types of costs we have to put in comparison to high-speed rail.

Mr. Cliff Mackay: We could easily get those numbers for you. The Ontario government would have them readily available.

Mr. Dennis Bevington: I think that's something we have to look at, because of course we have to plan in conjunction with other systems.

Mr. Cliff Mackay: Yes, I agree.

Mr. Dennis Bevington: Do you have anything?

Mr. Paul Langan: I just wanted to add—and maybe we haven't mentioned it—that you would get your two high-speed rail corridors, but it also means you have a regional transportation system with passenger rail that still exists. VIA would still exist, and not only would you connect with your light rail and your buses inner-city, but inter-city you wouldn't.... Over in Europe and Asia they don't have high speed and nothing; they still have their regional train system. So I don't want communities, for instance Winnipeg and all that, that are not on the high-speed agenda not to think that they could be on the higher-speed agenda.

I've taken that train from Winnipeg and Saskatoon through the dead of night, and I keep thinking, why don't we have some kind of corridor here to move people from Winnipeg to Saskatoon? Why is it something we do in the middle of the night, hush-hush? Why is VIA a tourist train in western Canada?

So I just wanted to let you know it's not just high speed; there are definitely going to be the regional trains that will exist, and we can improve on them too.

The Chair: Ms. Brown.

Ms. Lois Brown (Newmarket—Aurora, CPC): Thank you, Mr. Chair.

Thank you, gentlemen, for coming in.

I'm a member for one of the GTA ridings. I use the train between Toronto and Ottawa as often as I possibly can. I think it's a good stewardship of government money.

I want to carry on with this discussion about the linkages. I think it's really important, particularly for my riding.

Our government has invested significant money in public transit and continues to do so. Toronto and York region particularly have seen a tremendous increase in bus service and GO train service. In my riding we're investing in the bridge that carries the GO train. It's going to make a significant impact on Newmarket—Aurora.

But I would like to carry on this discussion about linkages. I would anticipate that most of the rail going through Union Station right now is at capacity. You're saying that those trains would still exist, we would still have use of those trains, and we're talking about a new corridor. Is there any possibility that a new corridor might include GTA areas rather than the downtown area? I would expect Montreal would have to consider this also, as Toronto does; that is, building a hub in areas where land acquisition may be a little less expensive at this point in time where we could design transit systems that would go into our downtown areas. Has that been part of the discussion?

Mr. Cliff Mackay: The operating assumption at the moment has been that you need to connect into the major hubs—for example, Union Station, or Central Station in Montreal, or the station here. On whether you could do it otherwise, the short answer is of course you could, if the numbers made sense. They do it otherwise in some places. For example, if you take high-speed rail into Paris, there's not one terminal; there are three, depending on where you're coming from and where you're going. It's not dissimilar in other major cities in Europe, or for that matter in Shanghai. That is not an unrealistic thought.

I can't tell you whether it's being studied in the existing study because I don't know, but if it made good sense and you had very efficient linkages from that node down into the centre of the city, then there's no reason why you couldn't do it.

Ms. Lois Brown: I have a couple more questions I would like to ask.

In Canada we consider that the cost of building a railbed and a roadway are approximately the same. We have to go down six feet, take out whatever is under the ground that is not compatible, put in gravel, and ensure that we are below frost so that either a rail or roadbed is not going to shift in the winter. We have that to consider.

With the economics equal, can we say at this point that the cost of a railway ticket between Toronto and Montreal is going to be lower than the cost of an airline ticket, for instance? Do we have any information on that? Can you comment on that?

Mr. Cliff Mackay: All I can tell you is that in most jurisdictions around the world that is precisely what has happened. Where there is high-speed rail for a relatively short period of time—and I'm talking about three- to four-hour trips, not twelve hour trips—the passengers have shifted to train rather than air for two reasons: one, the convenience; and, two, generally speaking, the rail systems have been able to offer more competitive pricing because they have much higher volumes in the same unit.

● (1615)

Ms. Lois Brown: I have one other question that won't take very long, Mr. Chair.

We have copies of the 1995 study. We've seen that the study was done and we know the dollars were there in the past. Can you comment on why there was no political will to undertake this in the past?

Mr. Cliff Mackay: For my sins I was a senior official in the 1980s and early 1990s. All I can tell you is that in the 1990s there was an absolute and complete fixation on slaying the deficit and getting the fiscal house of the country in order. There was just no appetite for any other thing at that point in time. That would be my personal observation.

The Chair: Mr. Jean.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you.

You must be talking about the Liberals' $25 billion cut to social transfers to the provinces, Mr. Mackay.

Thank you for coming here today. I appreciate that.

I'm interested in a couple of things. First of all, can we see a real economy in supply basically in essence as a result of doing a large portion of construction at once? Is there a large benefit in savings if indeed private industry and government went together and did these major investments at one time?

Mr. Cliff Mackay: The answer is yes, if you do it in a multi-year way. It very much depends on how you contract it. If you offer to private contractors a relatively secure contracting environment over a significant period of time, you should be able to exercise significant price leverage.

Mr. Brian Jean: Is there also equipment available for technology that would leverage this and help avoid some of these thousands of railway crossings that, quite frankly, most people in my constituency absolutely hate, because there are frequent deaths? I think we have talked about this before. There were some 85 deaths last year. Are there ways to avoid that through technology or through other kinds of methods?

Mr. Cliff Mackay: To some degree, yes, there are. But if you go to high-speed rail, the speeds you're talking about are simply beyond the capability of any technology to provide that kind of warning system. You absolutely must separate the traffic from the general public. You have to have overpasses or some means of securing the rail right of way so that people can't get into it.

Mr. Brian Jean: That's my question. Is there such a thing as underground or over the ground technology—that's the technology I'm interested in—to avoid that problem? Quite frankly, I don't see how in any part of Canada you can, as a result of our transportation corridors, avoid these crossings without having investments.

Each one of these overpasses cost $40 million to $80 million. Given those kinds of numbers, there has to be some other technology that would make it cost-effective to do, such as underground or over and above. I'm not sure of that technology.

Mr. Cliff Mackay: There is no technology that would allow you to have a level-grade crossing on a high-speed rail track and be safe. It doesn't exist. No one in the world has come up with that yet.

There are lots of ways, and it's quite routine, that you can bury the rail line somewhat, so that the fencing and other things you need are not as intrusive, and make it cheaper to do the overpasses because you don't have to go up as high. There are lots of those sorts of things that you can do.

On a high-speed rail corridor, it's light rail that you use, and depending what motive structure you use, it doesn't necessarily have to be as wide as a heavy train dual system. You can run the trains closer together, so that you don't have to use as much space.

So there are ways of mitigating some of the costs, but there's no technology that we're aware of that would allow you to maintain level crossings. It just doesn't exist.

Mr. Brian Jean: Mr. Chair, Mr. Langan kept putting his hand up and has never had a chance to answer that question. Is it possible?

The Chair: He may, if he can be very brief.

Mr. Paul Langan: It's common technology in the rest of the world. The two never meet.

You usually go above ground. Germany sometimes has level crossings. But this is not new; we're talking of 28 years now in France, and a 100% safety record. This is old news. Siemens just did Moscow-Petersburg, again entirely grade-separated, with no chance of auto meeting train. That is the common way it's been done for decades. It's nothing new. We have the experts at Bombardier, at Alstom, at Siemens, all in this country.

● (1620)

The Chair: That's good timing.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal (Newton—North Delta, Lib.): Thank you, Mr. Chair.

Welcome to the panel.

Mr. Langan, you touched on Obama's vision of this Seattle to Vancouver corridor. It hits me like home, when I talk about metro Vancouver. I personally understand that the high-speed railways help the tourism industry, particularly in tough times when this Conservative government has taken the GST rebate away from the visitors, which has hit the tourism industry negatively.

Last week the people from Transport Canada were here. They haven't even looked at the proposal for the small portion between the border and Vancouver. What role do you feel Canada should play? What kind of role should the government play?

Mr. Paul Langan: First of all, I'm not here to praise the American president, but his vision on passenger rail.... When people like me, who like passenger rail—we're passionate and we like high-speed rail—heard his speech, it was on our website about six seconds later.

To answer your question specifically on the Vancouver—Seattle corridor, I was on a couple of radio shows last week, and we talked about it; I debated it. One fellow was saying we need more buses. You know that darn road is not going to be solved by adding congestion, by putting more buses on. They've been doing that for 30 years.

Amtrak has a plan. It has a detailed plan for improving this corridor—

Mr. Sukh Dhaliwal: But Canada's role...?

Mr. Paul Langan: —and on the other side of the border, they are making some improvements. There has been money put forward to put in another track for customs, so that they're not with freight in Vancouver.

I think what we need to do, though, is raise the profile. I've been asked to come with our organization to Vancouver to educate people, to say that this is a viable option. That's a perfect example, just as Windsor is—and I know, Jeff, that you're from Essex, and I'm from Windsor—of how we have this jammed border.

Why aren't we moving people with rail also? It's a slam dunk. The president was right on the money.

Again, we're not talking about 300 kilometres an hour, but maybe 150 kilometres an hour. We're going to have more than one train a day.

The answer in your area is simple, but we need to get the powers to be together, all levels of government. It's a little trickier there, because you're dealing with the United States, Canada, customs on both sides, so it makes it tougher. But get them together. The plan is there; we have to move it forward.

Mr. Sukh Dhaliwal: On the other angle, Mr. Mackay, you touched on the public-private partnership. If I look at the Port Mann Bridge very close to where my riding is, public-private partnership has fallen apart. What is the specific role that you see private enterprise playing in this high-speed railway?

Mr. Cliff Mackay: On the private side of a public-private partnership in high speed, the private side should be responsible for the operation and maintenance of the system and for all things related thereto. I think they could share in the responsibility of the financing of the system. I think the government needs to be responsible for the assembly of the corridor, either directly or indirectly through whatever means it feels is appropriate. It needs to put in place the right institutional structure. I mentioned things like making sure you don't allow a lot of competition in the early days particularly, so you can see a revenue stream coming out of this, as we've done with airports. It probably needs to be the senior partner in the upfront financing of the initial infrastructure.

Mr. Sukh Dhaliwal: When we travel to Europe we see higher densities that support the high-speed railways compared to Canada. Can you justify that a high-speed railway is viable in Canada with its lower densities?

Mr. Cliff Mackay: I'm going to ask Mr. Langan to answer that question too. I think the short answer, particularly in the two high-speed corridors that are being talked about, is that the studies would justify the investment. Particularly if you compare it as it was earlier to the amount of money we're plowing into highways anyway, it's not a difficult sell.

● (1625)

Mr. Paul Langan: That is the number one thing I try to clear up about high-speed rail when I travel the country. We have way more than enough population to support high-speed rail. That is an argument that road engineering consultants used for 20 years in Canada to say why we shouldn't have one. We have way more than they have between Madrid and Barcelona. It's not an issue. We have the people. It's a good question, though.

The Chair: Monsieur Roy.

[*Translation*]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. Chair.

My question may be for both Mr. Mackay and you at the same time, Mr. Langan, because, in the presentation you gave us, you said that 40% of the passengers in high speed trains will be former motorists. That means that you will be looking for 60% of your passengers from elsewhere, whether it be from airlines, buses, or the present rail system. You know that transportation has been deregulated since about 1983 or 1984.

Mr. Mackay, you mentioned the fixation on the deficit. There was a fixation on the deficit and on deregulation. You see it in Air Canada, in VIA Rail, everywhere. What it means for us in the regions is a ever-greater reduction in service. That is what it has meant for us.

If I look at Air Canada's current situation, a company constantly on the brink of bankruptcy, I say to myself that, if you go and get 20% of its customers, you will ground it.

I do not want to be the devil's advocate, because I absolutely support the implementation of high speed rail service. I have already been fighting for intermodal transportation at home, for coastal service along the St. Lawrence. We are not there yet. It is practically impossible to bring all the players together, VIA Rail, the trucking companies and the shipping companies, because they are private companies, because there is no political will, and because the government will never force private companies to sit down together.

You tell us that the government should be investing in HSR. If the government did that, the first to scream would be Air Canada and the bus companies, telling you that the government has no business supporting one form of transportation when it no longer supports already existing ones. That is the problem we are going to have.

How would you go about solving that? If the government invested in Air Canada tomorrow morning, VIA Rail would scream blue murder. Am I right? It is as simple as that. The bus companies would do the same thing. That is the problem. Since the deregulation in the mid-1980s, the government hardly has any clout any more, except in regulating safety. It has practically no connection with transportation left.

[*English*]

Mr. Cliff Mackay: I would make a few observations here.

You're right about deregulation. The ability of government to directly control everything has been reduced, and the marketplace is now much more dominant than it was back in the sixties and seventies.

Having said that, one of the things that I think government still has significant influence over is setting the broad conditions within which all of these private sector players play. One of the things we have not been able to do—and I think this is a challenge for government in the next few years—is make sure that this framework leads to the optimization of the various modes, so that the various modes of transport, whether they're freight or passenger, are playing their most efficient role in the overall system.

One of the prices we're paying because we haven't been able to do this is the massive increase in greenhouse gases because we are not using the right modes to do the right things in the system. We're contributing much more greenhouse gas to the system than we should be.

Through the combination of an environmental policy and policies that are unfolding now, such as gateway policies, concerning which I would argue that the government's leadership on the west coast has made a significant difference—it's certainly not perfect, but it has made a significant difference, and people are now being more rational, in their modal choices out there, than they were in the past—there are ways to move in that direction.

You mentioned air specifically. You're absolutely right: if there were a high-speed rail system between Montreal and Toronto, it is highly likely that people would opt for that service rather than take a cab out to Pearson and fly to Dorval, then take a cab from Dorval to wherever they're going. But that's not Air Canada's long-term future. I'm not a spokesperson for Air Canada, but when I look at the kinds of airplanes they own and the kinds of networks they have around the world, their long-term future is long-haul international or North American air service.

Now, for Porter Airways it's a different matter, and Jazz, in those particular markets, could very well be hurt from a business point of view; I don't argue the point. But in the broader public policy context, companies have to adjust to the reality of the competition they face. And they will adjust. I don't see Canada's bus companies going out of business because of high-speed rail. They will have to serve the nodes, down to wherever you can connect into that system, from all over small-town Canada, in the areas where these kinds of services are going to be available.

● (1630)

The Chair: I'm sorry about the time; we're well past again.

Mr. Watson.

Mr. Jeff Watson (Essex, CPC): Thank you, Mr. Chair, and thank you to our witnesses.

That is the direction I was going to go in: the consequences for the other modes of travel. The airline industry, many will suggest, is having a difficult go of it. I think one of the effects of moving in this direction would be the change in preference between modes.

I want to make sure we're comparing apples to apples when we consider feasibility. I'm just thinking of some rough numbers. The population of Europe is estimated this year to be 830 million. We're about 35 million. Greater London is 7.5 million, and England is 51 million. Greater Paris is 11.2 million and France 62 million. Madrid is 5.2 million, Spain 40 million. It almost seems like a no-brainer that there would be a strong case not only for the constructability of rail, but for the ongoing operational cost of passenger rail.

If we were to be honest around the table, I don't think there's a lack of desire on the constructability side of it. The question, I think, for feasibility is on the operational side, particularly down in the city of Windsor. Greater Windsor is 350,000 people. I can't even get an on-demand stop from VIA in Belle River, and I've been trying for years for it.

If we're looking at constructing a high-speed rail corridor, are we not, at least essentially in the early stages, talking about the area between Toronto and Ottawa, Toronto and Montreal—somewhere in that triangle? I say that also to suggest, in terms of our latest budgetary moves with respect to trying to bring down the time travel in that particular corridor, that there's probably some sensibility about why we're doing that. There is a case to be made for it there, at least initially.

Do you have any comments on that?

Mr. Paul Langan: Well, I don't want to ramble. We're non-partisan. I want to make sure that we're very clear about that. We're not Liberal, Bloc, or NDP. When we talk about the—

The Chair: Just to be fair, you didn't mention Conservative.

Mr. Paul Langan: Yes, but Freud is dead.

I want to put things in perspective. When they announced the money for VIA for that third line to cut down the times, that was a positive thing. But I want to put it into perspective for you to show how bad things are.

They said that they were going to cut a half-hour off their time, and it is now going to be four hours to get from Toronto to Montreal. That is a good thing. But that is the same schedule we had in 1975. That's how bad things are. To everybody here, that's how far we have to improve. Yes, that was a good thing moving forward, but look at how much further we have to go to raise the bar.

I wanted to get to your point about the airports. I fly for government from Hamilton to Ottawa. When WestJet said that they were pulling all their flights out, they didn't ask about the customer. When Air Canada Jazz pulled all their flights out from Hamilton to Ottawa, and then we all had to drive to Toronto, they didn't ask the customer. Will they lose business? Yes. Are they a good airline? Are they a good business? I can tell you that Air France has just bought some of the railroads in France.

Whether Air Canada can modernize, adapt, and buy into the new multimodal strategy the rest of the world has, we'll see.

● (1635)

Mr. Jeff Watson: Is the question we are being asked to decide whether we are going to prefer rail travel in the corridors as opposed to air travel? In other words, it is sort of forcing a change. I think right now we have either.... The preferred routes, at least in terms of the short window, might be car or air. Are we asking to make a decided shift in what the backbone of the transportation system will be?

Mr. Cliff Mackay: I think there are two ways you could put that question. That's certainly one way. There is another way you could say it. Historically, at least in the last 50 to 70 years in this country—if you go back to the 1900s, you could make a different case—at least since World War II, governments have implicitly or explicitly made the choice to go with air or road, because that's where the government money went. Passenger rail has not received any significant investment in this country for a long, long time.

You can either say that you're making the choice to favour one, or you can say that we're going to redress the balance and let consumers make their own choices.

Mr. Jeff Watson: I'm not by any means suggesting that I'm not prepared to make the choice. I'm just asking if that's what you're really talking about here.

Mr. Cliff Mackay: You could ask the question either way.

The Chair: Jeff, I'm sorry, you're out of time.

We're going to Mr. Kennedy.

Mr. Jeff Watson: I was going to ask whether you'd let Mr. Langan respond. He was going to try to....

The Chair: Did you have a comment, Mr. Langan, very briefly?

Mr. Paul Langan: You know that 50 years Cliff talked about? All we're talking about now is giving people an option that the rest of the world already has. This is not about whether I should take the bus or my car or the train. It's giving me the option.

The Chair: Mr. Kennedy.

Mr. Gerard Kennedy (Parkdale—High Park, Lib.): I have a couple of things. First, I'm wondering if you can comment a little bit more—both of you have addressed this in some of the questions—on the need to essentially have a freight line and a high-speed rail line. Obviously, that adds a fair bit to the price tag for those who would just imagine that we can stick a fast train on the lines we have.

I appreciate hearing about the studies that are being done. But do we already know what that means? In other words, how would the economics of the existing line be affected? Because obviously, they would be. Does it open up more spots for freight? How well utilized is that line? If we take a great deal of the passenger traffic, or all of it, off that line, what does that mean for the economics of what remains, and so forth?

Mr. Cliff Mackay: I'll give you one example. The CN main line between Montreal and Toronto was running, a year ago—it's less today—when they were operating in a different kind of economy, roughly 85 trains a day, both ways. About a dozen of those trains were VIA trains. They were running roughly 70-plus trains a day.

If you go to a higher-speed model, as it was laid out, you have to anticipate that you're going to try to improve the frequency of the VIA trains. So you may end up with 20 or a few more a day. However, if you look at economic growth over time, and if we achieve some of the things we would like to achieve, with the development of the Port of Montreal and all the other things we want to do, I don't see any scenario in which the number of freight trains on that line is not also going to have to go up. I don't know how much, but it will be significant.

In the days before the recession, our freight traffic was growing at 5% plus per year. When you opt for that option, yes, you save money in the short term, and yes, you may be able to improve service for a period of time. However, you are going to look down the road at an eventual conflict between those traffic patterns. Because sooner or later, you're going to run into a capacity issue of significant degree.

The question is whether you bite the bullet now, put in the separated systems, with the higher speeds, knowing that it's going to have more front-end costs but in the long run will give you a more effective system, or not.

Mr. Gerard Kennedy: Just to be clear, if Mr. Langan also wants to comment or if you want to say anything supplementary....

I'm assuming that the most viable way of looking at this is separate lines. I was hoping to get just a little more precise information on what that does to the viability of the existing line, how that would work, and whether there would be any potential, beyond regular growth, for other utilization if the passenger trains were then diverted.

● (1640)

Mr. Cliff Mackay: If you diverted the passenger trains off most mainline freight—there are some exceptions for short lines and remote service—it would have very little economic impact. They would improve their volumes over time and probably be able to operate more efficiently because they'd have fewer constraints.

Mr. Gerard Kennedy: Okay. That's the answer I was looking for.

Mr. Paul Langan: Again, we're still going to have regional rail service. High-speed does not eliminate that. In fact, if it's all tied in it all works together.

Mr. Gerard Kennedy: My other question is really around our capacity as a country to embark on this kind of project. Perhaps people will want to see this only in terms of partisan finger-pointing, but it's a little bit of an indictment of anybody who's been involved in this in the sense that we've gone through iterations of things.

Just to understand, though, is there a serious amount of capacity that exists today? In the last session, for example, we heard from the people charged with conducting the study, and I think they had three people working in the Ministry of Transportation. In the 1995 study it looked like there were more. That's a very simplistic way to look at capacity, but.... The irony that troubles probably everybody around the table is that we have some companies that win contracts in every other country in the world, so we have some of that commercial capacity. Do we have the government capacity? Do we have the ability, the know-how? All of these things need people inside of government to move things forward.

Has that been a factor in the delay that we've seen that is coming to a boil?

Mr. Cliff Mackay: I can't say it's been a factor, but the government has committed to a PPP or a triple P—whatever jargon you want to use—a public-private partnership office. It's in the process of being staffed. The person they've brought in to run it is a very experienced individual. I would expect that if the government decided to move on something like this, that would be the ideal place to manage it, from a public sector interest point of view.

Mr. Gerard Kennedy: Are you speaking about the PPP office in the finance department that just started?

Mr. Cliff Mackay: That's correct.

Mr. Gerard Kennedy: But that fund has been sitting there since 2007, I think.

Mr. Cliff Mackay: I agree, but that would be the way I would recommend the government look at managing its interest. Obviously there are other interests, the usual safety and other oversight interests, but from the point of view of managing the government's economic and broader interests, that would be my recommendation.

The Chair: Mr. Langan, do you have a comment?

Mr. Paul Langan: Yes, I think we've had some really good presentations at our symposiums from people who strongly support the California mode, where they have a California high-speed rail authority, a separate body that overlooks it. And that's the whole reason—to have the competence there and to make it happen.

I'm not knocking Transport Canada, but I think the expertise to make it happen, to have a role in it, even as an overseer, is probably not there. So I do believe in the creation of a Canadian high-speed rail authority. It sounds like another bureaucracy, but in California that's why it's happening—and believe me, they have lots of bureaucracy down there, and lawyers.

The Chair: Mr. Mayes.

Mr. Colin Mayes (Okanagan—Shuswap, CPC): Thank you, Mr. Chair.

Does the calculation of approximately $20 billion to achieve the corridor include all the parking, the distribution lines, the land acquisition, those types of things?

Mr. Cliff Mackay: My understanding, sir, is yes. Again, I'm not directly involved in this study, but I know that in past studies the estimates have included those sorts of things.

Mr. Paul Langan: I just wanted to throw in something about Calgary-Edmonton, because I think you have a belief in that. That study is from 2004, and the government just did one in 2007. I really believe in my heart that if one's going to happen in Canada, that's where it's going to happen first. There are just fewer bodies involved in making it happen, and it's simpler just because they don't have that population sprawl.

As far as your question is concerned, yes, it's already in the 2004 study. Yes, it's easier to make cases for it, because you're basically saying Calgary, Red Deer, and Edmonton. The 2007 study, which, as I said, the government hasn't released because I think it's a very positive thing they're holding on to, says that stuff also.

Mr. Colin Mayes: On the actual penetration into the cities, like Vancouver or Toronto.... They have a good transportation network, so you really wouldn't need to have the penetration rate into the cities and worry about the corridor there. Is that correct?

Mr. Paul Langan: In Calgary, the City of Calgary has already bought the land for the high-speed station. In Edmonton, over the High Level Bridge, the city owns it. I know the mayor of Edmonton personally because he made this decision to marry my wife's cousin—

Voices: Oh, oh!

Mr. Paul Langan: His whole thing is that he wants it to go downtown into Edmonton, so as far as your corridor goes, it's clearly defined.

As for the Ontario-Quebec corridor, again, there are 17 studies, and we're going to do it again. We've got to move on the next study.

● (1645)

Mr. Cliff Mackay: My understanding is that in the Ontario-Quebec study, in Toronto and in Montreal the baseline case is to go to Union Station and down to Central Station. That's the baseline case. I don't know whether that will be the final case, but I know that's what's in the baseline.

The Chair: Thank you. I would certainly be interested in hearing more about the Winnipeg-to-Saskatoon corridor.

Voices: Oh, oh!

The Chair: That completes that round of questioning. I'm going to open the floor up now and move around the table one party at a time.

Mr. Volpe is first.

Hon. Joseph Volpe: Mr. Mackay, I'd like to take you back a few minutes to when I was asking you questions regarding financing. As a senior official in previous administrations, I know the dollar figures, the amounts, would always have been daunting, and 15 years ago the numbers that we've thrown around today—$4 billion, $20 billion, $30 billion—would have been mountains too high for people to climb. That's not the case today.

Mr. Cliff Mackay: Right.

Hon. Joseph Volpe: I'm glad you said “right”.

From your experience with governments as a whole, could you give us a sense of the rollout of funds from the federal side, the amounts that would have to be allocated to, let's say, the first five years, and then the subsequent five, before you'd actually get some sort of operational revenue?

Pick a number, any number, and then base your calculations on it.

Mr. Cliff Mackay: Let's just say $15 billion is the initial front-end cost. I'm going to talk about the central Canadian corridor, not the Alberta corridor. Frankly, the Alberta corridor would be significantly less than that—significantly less.

The swing factor would be how much land assembly you would have to do and how much you could arrange through existing corridors. I do not know the answer. If you had to do a lot of original land assembly, it would add a lengthy period of time, number one, and number two, it would certainly escalate the costs at the front end quite significantly.

If you make the assumption that you can do a reasonably efficient job of land assembly, I would say that you would devote the first two to three years to land assembly and securing your corridor and doing all the engineering and other studies that would need to be done in order to launch a very aggressive construction phase.

For the construction phase on something like this, I'm assuming that you would go electric if you really want to do high-speed rail. There are two options on electric. Recent technology says you can put it in the ground; the other choice is to put it overhead, which is the current technology used in most places. Putting it overhead is a bit more expensive, I would think, than putting it in the ground, so that you may be able to save yourself some money, but it's going to take you probably two to three years, minimum, to build that line, even between Montreal and Toronto.

Then you're going to have to do tests and everything else, so you're probably looking at five years of fairly intensive outflow. I would say it would be in the order of $10 billion, at maybe a couple of billion dollars a year, before you'd get to a point at which you could actually start thinking about phasing in an operating system.

Obviously during that same period of time you would also be pursuing procurement activities for rolling stock and other things. You have a whole range of other things to worry about with regard to passenger movement, integration in the stations, and all of that sort of thing. Going on at the same time, of course, would be all the oversight. Transport Canada does oversight of rail construction in this country, and they would certainly be a player in that context from a safety point of view and all of those sorts of things.

That's how I would describe the process, sir. Optimistically speaking, I would say that you'd be looking at six to seven years before you would see a revenue flow.

Hon. Joseph Volpe: You're looking at about $2 billion a year, maximum, that governments would have to put aside in order to realize this project.

Mr. Cliff Mackay: I'm not sure that I would make the assumption that it would be 100% government. Depending on the business case and the interests of financiers, there are very large pools of capital, as you know, that are very interested in long-term infrastructure investments. Some of those pools of capital are right here in Canada.

● (1650)

Hon. Joseph Volpe: Mr. Mackay, can I just take you back? Some of the private pools of capital are associated with some of the companies that might actually be interested in partnering or in operating a system. If I'm wrong, please correct my perception, but even the railway companies looked at this, and at least one of the airline companies conducted a feasibility study to see how they could play into it. Am I wrong in that?

Mr. Cliff Mackay: No, you're absolutely right. I would not see them, though, as major financing vehicles.

I would say that it's much more probable that institutions like OMERS or teachers or the caisse, or some of the other bigger private outfits like Mr. Schwartz's fund, would probably be more interested in this aspect of it than some of the other companies you just mentioned. These companies may want to be minority investors, but I don't think they would be major investors in the sense you're talking about.

The Chair: Go ahead, Monsieur Laframboise.

[*Translation*]

Mr. Mario Laframboise: Mr. Mackay, the project that came closest to leaving the station was VIA Fast in 2003. Did you work on that? Were you aware of it?

[*English*]

Mr. Cliff Mackay: No, sir. At that time I was in the airline business.

Some hon. members: Oh, oh!

[*Translation*]

Mr. Mario Laframboise: Mr. Langan, did you see the VIA Fast file?

[*English*]

Mr. Paul Langan: At that time I was involved just with VIA Rail day-to-day advocacy, such as getting a second passenger train, getting them to make their schedules meet, and that type of thing, so I wasn't involved with that.

[*Translation*]

Mr. Mario Laframboise: As part of that whole idea, you certainly looked at the Ontario-Quebec proposal that Ottawa also partially funded to the tune of a million dollars.

Mr. Langan, I know that this will be one more study when you just want something to be done. But the Bloc Québécois was already in favour of VIA Fast. Mr. Duceppe was clear in his position on a high speed train from Quebec City to Montreal and Montreal to Windsor, and even Quebec City to Montreal and Montreal to New York. We believe in it.

We can talk about it, hope for it and see what is happening around the world, but we have to be able to prove to people that it is a good idea. You are right, Mr. Langan. People have to be shown.

Do you think that the proposal from Quebec, Ontario and Canada will let us achieve that objective?

[*English*]

Mr. Paul Langan: I just want to comment that I don't believe you should say it's VIA Rail.

When we're talking about high-speed rail, you get partnerships. I give the example of Moscow to St. Petersburg and Siemens. Siemens is a company well known in Edmonton for their light rail. They have a 30-year maintenance agreement with the high-speed rail. I think when we're looking at high-speed rail, we should look at partnerships and see who puts the bid in and who's the most successful.

I don't mean to be negative about VIA Rail. I'm just saying that we definitely shouldn't say it's VIA Rail's. We should ask who wants to do it and see who the partners are that come on board.

Believe me, I have Alstom and Siemens come to my presentations. I just have to make the phone call. They want to be part of this, as does Bombardier.

[*Translation*]

Mr. Mario Laframboise: Mr. Mackay, you made a good presentation on freight transportation. Do you think that your members, Canadian National and Canadian Pacific, who are still involved in freight transportation, would be as interested in passenger transportation?

[*English*]

Mr. Cliff Mackay: It's not inconceivable. It's certainly not their core business.

I think both companies would say that their core business is freight in a continental context, and that is where they're focusing now, but they're in business to do business, and if someone were to come along and say, “Here's a business proposition; it may leverage your assets, and it may make sense from a business perspective”, I would be surprised if they didn't look at it seriously. However, I would say that it would be an unusual situation. I certainly would not see those companies shifting their basic corporate strategies.

● (1655)

Mr. Paul Langan: I know I'm going back to Calgary and Edmonton, but in the Calgary-Edmonton study there are two options. One is very clear; one is part proposed by CPR on their lines with Bombardier's jet train.

So Cliff is definitely correct, but I'm just saying there is this example in Alberta where there happens to be a CP line where they very much have made a business case to do it.

Mr. Cliff Mackay: In that particular case, there is very little freight that runs on that line.

The Chair: Thank you.

Mr. Bevington.

Mr. Dennis Bevington: I was interested in the discussion about express and local and how that would work with the high-speed rail.

Would the local, then, be on the high-speed track? It would be separate. So you'd have to have a condition where the connector routes to the high-speed would be in a separate location?

Mr. Cliff Mackay: What you would have to do is ensure that local rail or local bus or local metro, or whatever it is, would in fact connect into a node where people could transfer from one to the other.

The high-speed rail is a unique kind of rail. I don't want to get into all the technological side, but you don't run regular trains on a high-speed track.

Mr. Dennis Bevington: You don't run the high-speed rail and stop it more often.

Mr. Cliff Mackay: One of the nice things about high-speed is that it stops very quickly and it goes very quickly.

Mr. Dennis Bevington: Yes. Couldn't you use that, then, for your local stops?

Mr. Cliff Mackay: In some cases, but not every five minutes. You know what I mean? You're going to have those stations far enough apart that it makes some sense in terms of the efficiency of the system.

So you still need other modes or other parts of the system that feed. That's exactly how the models have been developed in other parts of the world.

Mr. Dennis Bevington: Yes. Because I've travelled in Japan on the high-speed rail, and it's quite marvellous how they send a train down that track every three or four minutes at speeds of approaching 300 kilometres per hour.

And I've travelled in Europe on the French rail system. But with the French system, it's much more integrated between high speed and really low speed and a variety of services.

But you're saying these things would be separate—

Mr. Cliff Mackay: I don't mean to say they're separate. They just don't operate on exactly the same track.

For example, let's take the French system. If you go from Lyon to Paris, there are a number of stops along the way. At those stops, if you looked at a map, you would see all sorts of feeder rail lines going into that particular stop. They would be operating on low-speed local regional service and they connect into the TGV and away you go.

Mr. Dennis Bevington: For instance, then, Ottawa would connect into the Toronto-Montreal run with a low-speed train.

Mr. Cliff Mackay: It's hard to say. Ottawa has well over a million people in the immediate area, so frankly it may very well be a candidate for a high-speed rather than a local connection.

Mr. Dennis Bevington: And then you would probably need more rail, at least one or two more rails in the same corridor that would be handling the low-speed traffic. So how many rails are we talking about here?

Mr. Paul Langan: The existing rail system would still exist between passenger and freight. What we're talking about—

Mr. Dennis Bevington: A different location.

Mr. Paul Langan: No. The high-speed would be on a different location, but the traditional VIA, let's say, would still exist the way it is now. It may change. Right? But you'll have a high-speed on a different track. It's not going to be next to—

Mr. Dennis Bevington: So you wouldn't have these things going to the same terminal in each community?

Mr. Paul Langan: In large communities, you would meet. Right?

I'll give you a good example. The honourable member Dean Del Mastro is from Peterborough. This is a great example. His idea is to go up through Peterborough high-speed into Ottawa. It's a good idea. There was a rail line there. I appreciate that somebody's coming forward with some imagination.

Does that mean Kingston is not going to get any more rail? No. Kingston is probably going to get more trains running on their traditional VIA track, and then it's going to have the high-speed go up toward Ottawa.

Now, I'm not saying that's going to happen. I'm just trying to give you that as an example.

The Chair: Thank you.

Mr. Jean.

● (1700)

Mr. Brian Jean: Thank you, Mr. Chair. What a great opportunity to have another question.

I want to talk a little bit about how important this is to our country, especially in one particular place that right now is the economic engine of the country. That is Fort McMurray and Alberta in general, including Edmonton and Calgary.

As you know, that is my constituency. I'm very interested in seeing some action take place between Edmonton and Calgary as well, and I know the provincial government has moved forward with a couple of studies. I think it was between $1 billion and $2 billion at one time.

I wonder, has that number gone up or down as a result of the cost of construction and the situation we currently face?

Mr. Cliff Mackay: I can't answer that. They haven't released the 2007 study, which is the most recent. The understanding we have from talking to people involved in that is that at that time the cost looked more like $4 billion to $5 billion all up, but that was frankly at a time when, as you know better than I do, things were pretty heated in the construction sector.

Mr. Brian Jean: I was paying, in Fort McMurray, over $20 an hour for people to put sandwiches together, so I understand perfectly.

What I'm curious about, though, from a general perspective, not specifically in terms of that study, is whether the cost of construction has gone down substantially in the rail industry since the $1 billion to $2 billion cost estimate. That's what I'm interested in, because we can move people from one part of the country to another on a temporary basis, the same as we did when we built the great railway across the country. So is this the time? Is this the opportunity to save money and also put Canadians to work?

Mr. Cliff Mackay: Generally speaking, the price of steel and the price of aggregates are all down substantially, anywhere from 15% to 30%, some of them even more. Labour, of course, as you know, is readily available. So if you were going to embark on a major undertaking of this nature, I would be strongly advising you to try to lock in your contracts as soon as possible.

Mr. Brian Jean: With respect, you know this particular government is moving full steam ahead on a stimulus package. So our resources right now are stretched to the limit because we're so busy trying to get money out to Canadians.

Has your organization looked at the cost savings that could happen, actually, and put that forward to the provincial government in Alberta? I think that would be a good move from your own organization's perspective, and to do that earlier rather than later.

Mr. Cliff Mackay: At the moment, the short answer is no, we have not. We'll certainly take it under advisement. One of our difficulties is that so far the Alberta government has not seen fit to share the study. If we knew what the study said, it would be a very easy thing to give them some advice on what has happened with the construction costs in the short term.

Mr. Brian Jean: But to be fair, you do know what the $1 billion to $2 billion study said. You have some data from that.

I would encourage you to do so. I think most Albertans would really appreciate that, as would most Canadians, because as you know, there are some 85,000 people from Ontario who are employed directly or indirectly by the oil sands, even in Fort McMurray, and hundreds of thousands of other people across this country.

The other question I have for you in relation to that is whether there are any further things we as a government can do to facilitate your organization in moving forward in studies like this. For instance, last night I had an opportunity to talk to two individuals from Bombardier, just talking in a general sense about some of the government's initiatives. Certainly we would like to participate in anything we possibly can in order to help your organization move forward with these proposals and studies.

Mr. Cliff Mackay: If you're talking about high-speed rail, I think the biggest thing the government could do would be to expedite the study, get it out of the way and get to a decision point so that we can start to move on land assembly and engineering studies. Those are nowhere near as expensive, of course, as the construction costs, but they're absolutely a precondition to being able to get anywhere.

Mr. Brian Jean: Has the right of way itself been set aside in Alberta? I know we've heard information.

Mr. Cliff Mackay: Generally speaking, the Alberta government has been assembling land for quite some time, a number of years, not simply for high-speed rail. They have a concept of a transportation corridor that could accommodate any range of basic services and utilities. They've been doing that for quite some time.

Mr. Brian Jean: Is there any chance we're going to see high-speed rail go up to Fort McMurray from Edmonton? I'm kind of excited about that. We're getting a twinned highway, but it's taking a few more years than we expected.

Mr. Cliff Mackay: I think in the short term, sir, probably not, but let me give you some good news. I'm sure you know this: CN is putting $100 million into that line as we speak, and I can say that you are going to have a much, much more efficient freight service than you had in the past.

Mr. Brian Jean: In fact that's good news, because that's a 30% savings from what they expected to put in there, $123 million. Is that what you're suggesting there has actually been in the last year, a 30% savings on the cost of rail? I think it was to be $123 million.

Mr. Cliff Mackay: I would have to go back to CN and get precise numbers, but I do know that they're getting better deals than they got when they originally did their estimates.

● (1705)

Mr. Brian Jean: That's great news.

The Chair: Mr. Volpe.

Hon. Joseph Volpe: Mr. Mackay and Mr. Langan, let me be arrogant and say on behalf of the entire committee, thanks for coming. It's been a great conversation and exchange of facts and ideas.

I want to go back again, if I can, Mr. Mackay, to current issues on financing, and then I'll come back to Mr. Langan on future issues.

You just addressed a matter with Mr. Jean about land assembly. When I asked you earlier about the amount of money that governments, if we're going Windsor-Quebec, have to put aside on a yearly basis, I think we struck a figure more or less around $2 billion, and governments wouldn't have to use all of that $2 billion. It wouldn't be all theirs and it might be divided among three separate governments.

One of the things you didn't give an indication of, although you alluded to it now, is that when you're assembling land, you're not giving away that asset. As you're building this line, government, however it's defined, actually acquires a real and material benefit that it does not lose.

So when you're giving the figure—and we picked $15 billion, but we could have picked $20 billion—you haven't discounted that amount with the value of the land that's going to stay with the government. So that's a benefit for down the road, is that what you're saying?

Mr. Cliff Mackay: Precisely, and it would be very difficult to put a number on that in this context until you knew the relationship of the operator to the owner of the land. That would to some degree determine the nature of the valuation of the asset. So it's just very difficult to do that at this point in time.

Hon. Joseph Volpe: But it's not an inconsistent component. I think you said if you went from brand-new land assembly, it's a significant increase in cost, but it's also a significant saving for down the road.

Mr. Cliff Mackay: Absolutely.

Hon. Joseph Volpe: Mr. Langan, I know that you're sort of a public advocate for this, but you talked early on about the excitement associated with the innovative technologies for Canada, but not necessarily for the rest of the world, that would flow into our economy as a result of embarking on a project like this, high speed, not higher speed. I gather you've done some studies as well on the number of jobs that would be created during the construction phase.

I think, Mr. Mackay, you were a part of those kinds of studies as well.

Have you got a sense of what some of those technologies might be? You haven't shared them with this committee and you've left us to imagine what they might be and to fill in the blanks.

Mr. Paul Langan: As far as the technologies we're going to choose for the types of trains...?

Hon. Joseph Volpe: Well, no, I wasn't thinking so much about rolling stock.

I guess it must have been Mr. Mackay who talked about your probably having to think in terms of technology, in terms of rolling stock that's not associated with manned vehicles but with computerized technology, etc. What kind of technology are we looking at? In Canada, I think I've seen that on the SkyTrain in Vancouver.

Mr. Paul Langan: Basically, this comes up a lot at the symposiums too: Do we have a knowledge base in technology in Canada that we can utilize to have a modern rail system? How much of it do we have to bring in from somewhere else? It is new to Canada. It just doesn't mean that we can't play an important role in it, and that's not a reason not to move forward in it.

The studies all talk about the percentage of it built in Canada, percentages of it in Canada, percentages that we'd have to bring in. We have to acknowledge that some of the technology we don't have. If we choose Bombardier, that's one thing; if we choose other options, the technology's not in the country yet.

Mr. Cliff Mackay: We're talking about the types of technology. We're talking about communications technology. We're talking about sensing technology. We're talking about control technologies of various shapes and descriptions. We're talking about a whole range of materials technologies, depending on the nature of the beast you're talking about. Then, of course, we're talking about technologies that are well known to Canadian companies but don't exist here, because we don't produce them—for example, the specialized rail, that sort of thing.

Hon. Joseph Volpe: But all of that can be produced here.

● (1710)

Mr. Cliff Mackay: If the volumes are right, the short answer is yes. We have the basic ability to do these things.

Hon. Joseph Volpe: One of the figures you gave was that you'd be requiring something like $6 billion worth of new rail. I would imagine that some of the companies that are currently under-utilized would be quick to put some of their production systems in place to satisfy that demand. I'm thinking about Stelco, Dofasco, and Algoma Steel.

Mr. Cliff Mackay: The short answer is maybe. You'd have to see what it costs to put that kind of a system in place. Ideally, you would want to develop a business case for creating a North American node. You'd want to leverage not only the Canadian work, but also the work that's going on across North America. Nobody in North America produces that kind of rail.

The Chair: Thank you.

Hon. Joseph Volpe: Mr. Mackay, thank you for raising that. I'm sure it surprised some members of this committee that your association would be interested in making a presentation, and I'm glad you did. But I'm wondering, here we have a North American market that's about the size of Europe—some 330 million if we exclude Mexico. We don't have the application or the technologies that have come to be taken for granted in Europe and which are resident here. But we haven't thought about using this kind of project to pole-vault our industries into a larger pool in North America. I wonder if that's a business model your association has twigged to.

Mr. Cliff Mackay: We haven't done so directly. We have a number of associate members who are interested in this, and we work closely with an organization called the Canadian Association of Railway Suppliers. But it is not unusual from an industrial development point of view to think about those sorts of models, particularly if you know that governments are planning to embark on a multi-year, multi-billion-dollar activity that will be as transformative as the kinds of things that have been announced by President Obama and others. We must not overlook the broader industrial benefits that could be associated with this kind of activity across North America.

Hon. Joseph Volpe: Not the least of which is to play the leadership role in developing that market.

Mr. Cliff Mackay: Precisely.

The Chair: Ms. Brown.

Ms. Lois Brown: For the public who may be readers of the blues, I want to set the record straight. We were talking earlier about the incredible cost associated with putting a high-speed rail system into Canada. Someone said that Canadians in 1995 would have been looking at $15 billion, an astronomical figure. But the 1995 study that we were given sets the figure for the Toronto-to-Montreal segment at $5.4 billion.

With respect to assimilation of land and associated issues, the study we were given says that “No high-speed rail system has ever been designed that currently operates at speeds of over 200 kilometres per hour in climatic conditions comparable to those in Canada. Such conditions include freeze-thaw cycles, extremely low temperatures, and wide temperature variations, either daily or seasonally.”

It goes on to give a little bit of a discussion about the weather conditions. It says that “In France there is practically no tolerance for vertical movement of the high-speed rail tracks. This is significantly different from Canadian rail or road conditions. The major challenge remains in the design and construction of stable track structures under the demanding freeze-thaw and geotechnical conditions found in the Quebec-Windsor corridor.”

In Ontario we have significant differences of geography, even between Toronto and Montreal. In Ontario, we now have the protection of the Oak Ridges Moraine legislation of 1998, which is going to affect anything that goes on in this study. Highway 404 goes directly up the east side of my riding, between Aurora and Newmarket. The extension would go north around Lake Simcoe. This is in the planning stages and has been announced several times, but the environmental assessments have been holding it up for years.

When we're looking at total costs, are we considering all of these factors in the $15 billion? Are any environmental assessments that have been done in the past applicable on a go-forward basis?

● (1715)

Mr. Paul Langan: About the cost-benefit analysis and the risks involved with this project, the studies all go into it. There have been so many studies about cost-benefit and risk analysis having to do with this. There is a new study from the University of Montreal that's just about cost-benefit analysis methodologies. There is a certain risky business to saying this is going to cost *x* billion dollars, because it's such a big project. You might be off, because things come up.

Does high-speed rail have an environmental footprint? Yes, it does, significantly. You can't deny that. We're going to be taking land, and maybe it is 40% less than a six-lane highway, but there is going to be an environmental footprint there. Let's not deny that.

The last thing is about the cold. In 1995, could the technology handle the cold of the Canadian climate? In 14 years, since 1995, things have changed. I gave the example—and I didn't mean to give it so many times—of St. Petersburg in Moscow.

Ms. Lois Brown: Has that been built?

Mr. Paul Langan: Yes, it has been built. It's being tested right now.

To go one step further, we have a fellow from Siemens at our talks. Siemens, of course, has the light-rail system in Edmonton. That light-rail system has worked for decades now. When people around the world ask him about extreme cold, he gives the example of Edmonton and the light rail.

So there are two examples. We already have a product in Edmonton from a company that right now also has a high-speed product that will be going between 200 and 250 kilometres an hour in the Russian climate. By the time we get on board with this, if any issues do come up in Russia, it will be old news. That was an issue in the 1960s when we first had a high-speed train called the Turbo. That was a big issue, but that issue is now gone.

Mr. Cliff Mackay: Briefly, regarding the environment, I'll make a couple of points.

First, I think the recent harmonization will be very helpful. If there are requirements, at least they won't be duplicating each other between governments.

Secondly, the degree to which environmental assessments will inhibit the front-end of the project will very much depend on the corridors. For example, it was mentioned that perhaps you could use some existing corridors for rail. There are corridors for existing transmission systems and there are corridors, frankly, for highway systems that could all be possible candidates as corridors for high-speed rail. To the degree to which you can do that, you would significantly mitigate the environmental risk.

Ms. Lois Brown: I asked our presenters on Tuesday about the hydro corridors, property that has already been set aside and is not being used for other purposes. Would those be part of the consideration?

Mr. Cliff Mackay: Obviously the provincial government would have to make a judgment on that, but they certainly should be considered, assuming that their configuration makes some sense in terms of the traffic patterns you're trying to design for. I believe all those kinds of existing right of ways should be looked at in terms of what the configuration looks like and whether you can efficiently use them.

The Chair: Thank you.

Unless there are any other comments, I would like to thank our guests for being here today. Again, I think you have provided us with lots of information and discussion for the future.

For the committee, we have Bombardier and the Canadian Airports Council attending on Tuesday, our first day back, and we have several other invitations that are being firmed up as we speak.

I wish you a good break week in your constituency, and have a nice weekend.

The meeting is adjourned.

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