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Chair

Mr. Merv Tweed

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● (1535)

[*English*]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Good afternoon, everyone. Welcome to meeting 24 of the Standing Committee on Transport, Infrastructure and Communities. Pursuant to Standing Order 108(2), we are studying high-speed rail in Canada.

Joining us today live at our witness table is Mr. Richard Gilbert, consultant; and through video conference in Calgary, we have Mr. Allan Rowden.

Mr. Allan Rowden (Consultant, As an Individual): Thank you kindly.

The Chair: Welcome.

We also have Mr. Geoff Meggs, city councillor, City of Vancouver. Welcome.

Mr. Geoff Meggs (City Councillor, City of Vancouver): Thank you very much.

The Chair: We will have you three people make your presentations. I think we'll start with Mr. Gilbert and go through the list. Then we'll have questions from the committee, if that's okay.

Mr. Gilbert, please begin.

Mr. Richard Gilbert (Consultant, As an Individual): Thank you very much, Mr. Chairman.

My name is Richard Gilbert. I'm an independent consultant. I work mostly on the intersection between transport and energy issues. I have current or recent clients in Europe, Asia, and North America. My main client over the last couple of decades has been the Organisation for Economic Co-operation and Development, the OECD, in Paris. My most recent assignment, which I just finished last week, was writing the electric vehicle technology roadmap for Canada for Natural Resources Canada and an industry steering committee.

I've been asked to talk to you today, I think—I got a call from your vice-chair—because, with Anthony Perl of Simon Fraser University, I wrote a book that was published at the end of 2007 or the beginning of last year called *Transport Revolutions: Moving People and Freight without Oil*. It's coming out in Canada in a revised version later this year and will be published by New Society Publishers on Gabriola Island, B.C.

This book looks to a future when oil is going to be scarce or expensive or both. It focuses on the U.S. and China, the most difficult first world country and the most difficult third world country. What we did in the book was propose massive rail expansion in both countries, including some higher-speed service, and we show how this could be achieved. Maybe because of our book or not, much of what we proposed has already begun to be put into effect.

I haven't worked much on rail issues in Canada, but I know them well, and I know Canada quite well. In spite of my accent, I lived in Toronto for 41 years. I've worked or am working or have worked in all 10 provinces. In the 1980s, I was president of the Federation of Canadian Municipalities, which is a position that gives its fortunate holder probably as good a grassroots view of Canada as any other in the country.

I'm on the side of the growing number of distinguished economists who believe that the immediate cause of the current global recession wasn't the subprime fiasco in the U.S. or the related and unrelated shenanigans on Wall Street. The immediate cause of our economic woes was the collapse of the auto industry in North America and elsewhere, brought on by the run-up in oil prices last year. It really began in 2006-07, but it reached a peak last year. This run-up in oil prices was a response to two things. One was supply constraints, and the other was growing demand, particularly in industrializing countries.

The response to that huge peak in oil prices was the collapse of the auto industry and then relief of the demand pressures on oil and oil products. Prices tumbled as a result, but they're on their way up again. They're on their way up again because the supply constraints, if anything, are worse, because investment in the oil industry has slowed down and has almost stopped. Demand is still pretty much down, but that's the reason the price is going up again.

As *The Economist* magazine pointed out in May, it's hard to find anybody in the oil industry at the moment who doesn't believe we're headed for an even higher price than we had last year, when the peak was just above $145 a barrel. They call it a giddy leap to that price. When that happens—and really, the question is when rather than whether—what's left of the auto industry will collapse again, and we'll have another recession, which we've always had when oil prices have peaked. In fact, since the Second World War, almost every recession has followed an oil price peak, and every oil price peak has been followed by a recession. They're pretty tightly linked.

My argument is that investing in electrified higher-speed rail is one of the things we can do to break out of this downward spiral, a spiral into what could be economic and social oblivion.

Electrification allows many things: rapid acceleration, regenerative breaking, recapturing some of that energy of movement. Use of renewable energy, like Calgary's light rail system, which is entirely fuelled by wind power, will make for interoperability with the results of the plans in the U.S. for their massive expansion of higher-speed rail. I say “higher speed” rather than “high speed” because even with efficient electrified rail there is a major penalty for high speed. Other things being equal, if you have a train that's moving at 320 kilometres an hour, which is the typical cruising speed in much of Europe for a high-speed train, it uses twice as much electrical energy as a train travelling at 225 kilometres an hour, which is the typical speed in northern Europe, in Scandinavia, and in some other countries.

As we move into an energy-constrained world, that huge energy difference will be important. Because you have a reduced higher speed, you don't have reduced travel times to the same degree. For example, if you had a service from Toronto to Montreal and there were three stops on the way, it would take two and a half hours to travel at 225 kilometres an hour at cruising speed, but it would take two hours at 320 kilometres an hour. Toronto to Ottawa would be two hours and one and a half hours. Calgary to Edmonton would take one and a half hours and a little over an hour. So the difference in time is much less than the difference in speed.

Higher speed rather than high speed means reduced capital costs, not by very much, but some reduced capital costs, certainly less noise for people near the tracks, and reduced environmental impacts.

More important for travellers than the higher speed are frequency, reliability, quality of ride, and other aspects of service. It's more important for them to know there's a train every 30 or 60 minutes for most hours of the day on each of these three routes, and many trains on many other routes.

The idea is that you can just turn up and travel. You can reserve a seat if you want to be sure of one. You can eat and sleep and work well on the train. You'll be part of binding the country together and you'll be helping to break the oil recession cycle that I mentioned earlier. You'll be helping to ensure that Canada functions when we do break the cycle and the prices of gasoline, diesel fuel, and jet kerosene stabilize at two or three times their present levels.

What about the costs of higher-speed rail? If you look at the Van Horne Institute study of the Calgary-Edmonton line, done in 2004, you'll see that electrified high-speed rail between Calgary and Edmonton would cost about $11.6 million per kilometre of two-way track, including the train sets. That's probably about $13.5 million a kilometre in today's dollars.

If you look at what's going on in the rest of the world, you will see that's really a very low estimate. The International Union of Railways looked at numerous actual and potential projects and identified a range in Canadian dollars of $17 million to $53 million a kilometre. The best North American equivalent is what is being proposed in California, which is a 1,300-kilometre line from Sacramento to San Diego, and that line works out at about $40 million per kilometre. We think that's the best guide. Indeed, in our book, Anthony Perl and I use $40 million U.S. as our working price per kilometre.

So those three routes that I mentioned—Toronto-Ottawa, Toronto-Montreal, and Calgary-Edmonton—would cost $50 billion at that price. Looked at another way, if you are borrowing at 5% over 30 years it would be $3.3 billion a year.

If you look at the finances of high-speed rail or higher-speed rail, you find that capital costs are usually three-quarters or more of total costs. So you wrap up all the operating costs and all the capital costs over a 30-year period and the costs of borrowing, and you find the capital costs are usually more than three-quarters of the total. They are a huge part of it. One of the exceptions is the Calgary-Edmonton study, but I think they underestimated capital costs there.

● (1540)

So using those numbers I've just given, you can figure out pretty easily that you need $10,000 per kilometre per day to cover your costs. I can do the math. You'll see my presentation; it's in there.

What does that translate to? Looking at your Treasury Board guideline for travelling, it is 50¢ a kilometre. It's not a bad guideline for looking at this. So that means you need 20,000 paying passengers passing each kilometre of track that you build in order to break even. And this may be a new concept, the idea of breaking even. But you can indeed break even on high-speed rail, if you figure it out. If you don't want to break even or if you don't want to have too many passengers on there, you can of course subsidize either the capital or the operating costs, or both.

Let's look at that 20,000 passengers per kilometre in context. VIA Rail presently carries, on its whole system, 13,000 passengers a day. That's well below the numbers we're talking about. As I said, you've got to have 20,000 per day passing each kilometre to cover its costs. But the scope for expansion of VIA or any other rail system is generally huge.

The only one of these three corridors we have good estimates for, or I should say good publicly available estimates for, in terms of traffic is the Calgary-Edmonton corridor. You can figure out that, on average, about 25,000 people move between Calgary and Edmonton—or more precisely, Calgary and Red Deer or Edmonton—and vice versa every day. That's 25,000. What you have to do is capture 20,000 of those to ride on the train. Now, of those 25,000, about 93% are going by car. A few are going by bus and some are going by air. The numbers would be a little bit different for Toronto-Ottawa and Toronto-Montreal, but not greatly different.

What would be the break-even point for gasoline? I did some calculations. I presented material at a conference in Red Deer in 2006 on this very topic. I did some calculations and concluded that gasoline would have to reach $1.60 a litre—and there would have to be a train—for most people to want to go by high-speed train, most people who were travelling from Calgary-Edmonton, Calgary-Red Deer, Red Deer-Edmonton, and vice versa.

So $1.60 for gasoline? In Calgary, and indeed in other places in Canada, gasoline touched $1.30 last summer. If you read Jeffrey Rubin's new book, *Why Your World Is About to Get a Whole Lot Smaller*, you'll see where he says that we can expect $2 per litre for gasoline "in the near future". And I think he means by about 2012. That's the price at which you have enough passengers on the Calgary-Edmonton line to cover not only its operating costs but also its capital costs over 30 years. If those numbers apply—and they probably do, but some are up and some are down—in terms of Toronto-Ottawa and Toronto-Montreal, then that would be about the break-even price for travel along those particular routes.

Your committee's researcher asked that I add a few words about links between high-speed rail or higher-speed rail and local traffic at the ends of the line, or at the stations. And I have two rather contradictory thoughts on this matter.

● (1545)

The first is that high- or higher-speed rail is no different from any other rail service. It's better to have your terminals in city centres, as is the case in Montreal and Toronto and indeed everywhere else in the world where there is good rail service, rather than away from the city centre, as is the case in Ottawa or in Vancouver. You just make your station a transit hub. In Toronto I sit on the advisory committee for Union Station, where we're very much reinforcing Union Station as a transit hub. It's not well known that already many more people use Union Station every day than use Pearson Airport.

The other thought is that nevertheless, even though airports are at the edge of cities, high-speed rail links with major airports should be encouraged, as indeed they are in other countries, and there are two reasons for doing this. Aviation, more than any other mode, is going to be affected by the rises in oil prices that I talked about earlier. It's the most sensitive to the price of fuel, and we could see last year that the airlines were collapsing because of high fuel prices. Those went above the price of labour in 2007. We can see this year that they're collapsing because the economy is down, but also because the fuel price is going up again.

In our book, Anthony Perl and I examined this issue quite carefully, and we concluded—and remember we were focusing on the U.S. and China—that in the U.S. the number of airports with scheduled services would decline from approximately 330, where it is now, down to below 50 over the next couple of decades for the reasons that I've just given.

High-speed rail or higher-speed rail to airport sites will be very important. It will be important first to consolidate passengers at fewer and fewer airports, so as either Pearson Airport or Trudeau Airport closes down and international flights are only at the other one, then having high-speed connection between the two will facilitate that. But then as the airports are more and more commissioned, you're going to see, as we suggest in our book, that airports will become transportation hubs for people and, very importantly, for freight. I can expand on that during questions, Mr. Chairman, if you would like.

Thank you.

● (1550)

The Chair: Thank you very much.

Mr. Rowden, if you can hear me, we'll ask you to present.

Mr. Allan Rowden: Very good.

First of all, I'd like to thank you very much for having Mr. Gilbert speak first. He brought up a tremendous amount of points and made me very much aware of how much more I have to learn about railway and about high-speed rail.

My background is the resource industry, mining and geology and petroleum, and I've had a lifelong interest in railway. Like Mr. Gilbert, I've gone over the report for high-speed rail and its impact, and the suggestion on how it would help transportation in the corridor between Calgary and Edmonton.

I'm looking at his points on the price of oil. There were some discussions even earlier today that the efficient use of oil and electricity has a tremendous bearing on the cost of those two resources. I tend to agree, to a certain point, that the cost of fuel is really what's driving all the changes that we're concerned about in the economy and in transportation. By the same token, it becomes very much a dispute and a discussion—not an argument, but a discussion—in terms of what would be the cause of the present recession.

I have to turn around and defer to Mr. Gilbert there; he certainly has an awful lot more experience and has made a lot more effort in terms of study. I look forward to reading his books and his notes on where the premise comes from in terms of what the existing economic situation is.

For my part, my concern and interest comes from the point of view of the resource and the impact on the environment. I know from the previous notes that there were presentations by leading manufacturers on what works in Europe and how it's going to work here in Canada.

Like Mr. Gilbert, I have covered the country. I was born in Toronto. The only area in Canada that I have not worked in is the Maritimes. I've covered the whole of the Arctic and I've covered all of western Canada from both a mining and a petroleum side. As recently as the past year and a half, I was working on a project in Sudbury that was very much focused on the mining industry. When the whole commodities market collapsed, I ended up back in Calgary.

At this point in time, I'm very much on a learning curve. I don't want to tie up the committee while I try to explain where my interest is coming from, but it's very much focused on the interface of any of the methods that we are speaking of with what is already established infrastructure.

As early as this morning, we had another fatality outside of Calgary when a local train hit a car that was trying to go through the crossing. Our LRT, which we spoke of earlier, is solely powered by wind; it would be debatable as to what the source of the wind is. By the same token, it's being redesigned right now, because the major interfacing with the infrastructure is causing major problems. Locally we're developing a very sophisticated +15 level, but the focus is to turn around and put that same very efficient LRT system below the ground.

● (1555)

So I'm more concerned, from an engineering point of view, when we look at the system we are talking about, which is going to have an impact all across Canada, that it becomes very much something that is designed and fit for a purpose rather than an adaptation afterwards. The group I am working with is very experienced in rapid trains and rapid rail, and they also have concerns in being able to take systems that we are adapting to Canada as opposed to designing a system that would really enable everybody across the country to use it. The ideal situation we're faced with locally is still the amount of traffic that goes between Calgary and Edmonton. I agree that there is a very good situation for it, but whether or not a grounded system is part of what would fit for it, we're not quite sure.

Right now we're trying to make sure that the whole concept of what is the most efficient people mover is what we're working on. There are very many concerns about the efficiency of energy. There are a lot more experienced people than me who know that we lose a tremendous amount of energy in how we transport electricity and there is a huge consumption of energy when we produce oil. Just the way we use the oil lends itself to a great inefficiency. Those are the things that initially my comments would want to address: from an environmental side, we would give a lot of thought, not just a cursory thought but a lot of thought, to how any new system of any size is going to interface with the existing infrastructure.

I agree very much that the connection with the city centres is the most important part of any new system. When you look at the heavily populated areas of eastern Canada, there doesn't seem to be the same concern for the amount of land. I believe there were previous notes that suggested there would be a third corridor—you'd have a free corridor and a high-speed rail corridor and a traffic corridor. You are basically creating a third corridor to have a high-speed rail system. In western Canada, the use of land is very critical and, for lack of a description, it becomes very protected. So just how much land would be taken up by any one particular new system is part of the big concern. How it gets incorporated visually into the landscape is the other part of that issue.

As far as my comments would go, putting those on record right now would probably be my biggest concern. There is a tremendous amount of information that Mr. Gilbert went over that our group recognizes to a certain extent, and there are some other points we would probably have a varying opinion on. But as far as that goes, I think that would be sufficient for the time being.

I appreciate very much the invitation. Thank you for allowing me to have this opportunity to chat with you and join in with the group.

● (1600)

The Chair: Thank you very much.

Mr. Meggs.

Mr. Geoff Meggs: Thank you, Mr. Chair. I also really appreciate the opportunity to appear today.

I'm not a rail expert, but I'd like to report to you briefly on a trip that I took on May 28 and May 29 with Mayor Gregor Robertson to Seattle and Portland to join Cascadia Rail Week, which is a joint project of a number of communities along the Amtrak rail corridor from Eugene, Oregon, to Vancouver, B.C. These communities see President Obama's $8 billion stimulus investment in high-speed rail as an unprecedented opportunity to realize their long-standing dream of high-speed or higher-speed passenger rail services all the way from Eugene to Vancouver.

State governments have already invested $800 million to $900 million along the corridor in the last 15 years. They've been rewarded with major gains in ridership, particularly between Seattle and Portland. On the trip that we participated in, municipal leaders as well as political leaders from the congressional level and from state legislatures travelled on that train to meet and talk about the possibilities.

During our meetings there were several important developments. One was that U.S. federal officials arrived to brief the Washington State Department of Transportation on how to structure their funding application for up to $800 million of this stimulus investment. The application has to be filed by June 17. Mayor Robertson signed a memorandum of agreement with Portland Mayor Sam Adams to promote passenger rail along the corridor with a view to laying the foundation for real high-speed rail. This memorandum is now being circulated to municipal leaders along the corridor for endorsement.

Finally, I think your committee's meetings and your hearings into the high-speed rail issue have really highlighted the opportunities there, but up to now, unless I'm mistaken, there hasn't been a lot of focus on the west coast potential. The Cascadia project has a very real prospect of success, and the potential economic and environmental benefits to Canada are obvious. We're talking about benefits that would flow long before the development of a true high-speed rail system.

However, Canada has so far refused to step up in the most basic way. Amtrak is looking to add a second train each day between Seattle and Vancouver. Ottawa has insisted that Amtrak pay the cost of customs and immigration clearance to bring that train across the border, so for the sake of about $1,500 a day, we're placing a huge question mark over Canada's interest in expanded tourism and business trade with the Pacific Northwest through the expansion of passenger rail.

So far, Minister of Public Safety Peter Van Loan has relented slightly, but only to the extent that he will waive the fees during the 2010 Olympic Games. The cost to Amtrak will be about half a million dollars per year, and the Washington State Department of Transportation estimates that the benefits to the Canadian economy from the expanded service could be up to $17 million annually. One estimate puts it even higher.

I'm going to be very brief. I have a number of very simple recommendations. I think they're cheap and cost-effective steps that would allow Canada to step up in the very short window that's left before they file their application and indicate our commitment to opening the door to expanded passenger rail, higher-speed rail, and even high-speed rail traffic to Vancouver.

The first recommendation is that the committee agree to urge Minister Van Loan to reconsider and waive the border fees for Amtrak. As *The Vancouver Sun* put it in a recent editorial, "These trains could have been rolling nine months ago. Further delay is foolish and continuing to insist on recovering direct costs is simply shortsighted." It's quite an embarrassment as a Canadian to visit with Americans and have the fee held up as an obstacle to their efforts to achieve investments on their side of the line that would have direct Canadian benefits.

Second, past this improvement, I hope we can agree to urge the federal government to work with U.S. authorities to further streamline customs and immigration clearances on both sides of the border. The American situation is not perfect, and this streamlining would have the effect of reducing travel time between Seattle and Vancouver.

Third, I hope your committee will endorse the high-speed rail concept for the Cascadia corridor, which has been talked about and under development for almost 20 years, and call for Ottawa to support a coordinated strategy involving all B.C. stakeholders, including especially and very importantly our freight rail carriers, so that we can support the expansion of passenger rail without negatively impacting goods movement.

Finally, I think we should see if we can find agreement to recommend action by Ottawa as soon as possible, in cooperation with the Province of British Columbia, the involved railways, and municipalities, to confront the long-standing need for new investment in B.C. rail infrastructure on the north-south alignment. New investment is especially important for the 105-year-old Fraser River swing bridge crossing, which reduces the trains to 10 miles per hour, or something like 15 kilometres per hour, to get across the Fraser River. It's a major bottleneck, but it is now required for goods movement.

● (1605)

I'm not an expert in rail. I'd be happy to answer any questions about some of the other measures the Americans proposed that would be cheap and very cost-effective, would lead to an improvement in traffic, and, we believe, would lay the groundwork for much bigger investment down the road.

I thank you again for inviting me today.

The Chair: Thank you.

Mr. Dhaliwal.

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

Thank you to the panel members.

I would like to put my question to Mr. Meggs in particular, but first I would like to thank you, Councillor Meggs and Mayor Robertson, for taking a leadership role in this particular issue of the Amtrak railway.

You mentioned that we would like to reduce the travel time between Seattle and Vancouver. It's my understanding that the Conservative government committed some money earlier to upgrade the Delta part of the tracks. The provincial government has put $4.5 million into the construction of a new rail siding near Colebrook Road in Delta, with the Americans sharing the balance of the cost. What improvements do you see that can be made to reduce travel time using the existing fleet of trains?

Mr. Geoff Meggs: The Americans were very specific on this. Their goal, first of all, and I think it was reflected in Mr. Gilbert's comments, is to increase the frequency so that they would double the service between Vancouver and Seattle. Their application for a high-speed corridor lacks some coherence without the willingness on our part to facilitate the extra train.

The second thing is to improve on-time performance, but there are 10 to 15 minutes of savings available just by streamlining customs clearance. If passengers were able to check in and go through customs and immigration before they got on the train, as they would on an airplane, that would help. I'm told that on the American side the U.S. authorities still stop the train and go through to check on their side as the train proceeds into the United States. So if we opened the door on our side, they could perhaps change their security arrangements, not to reduce them but to streamline them a bit, and we would save quite a bit of time simply on that measure.

We carpooled down for this trip. We were about three hours. The train trip now is about four. So simply making those changes, without too many more investments, would start to bring the travel time close to what you experience with a regular border delay.

Mr. Sukh Dhaliwal: You mentioned increasing the frequency to two trains and that the government is going to charge $1,500 in additional money. Does the Government of Canada charge operators for customs services at the airport or on the existing Vancouver-Seattle line?

Mr. Geoff Meggs: I'm not familiar with the precise details. My understanding is that it's rare to charge for the extra service. I think the argument in this case would be that they do not have people there at those times of day at the moment and would have to deploy them there. My argument would be that if that's the case, that's a reasonable investment to make to encourage this traffic.

Mr. Sukh Dhaliwal: When I'm talking to my constituents of Newton—North Delta, the Surrey-Delta area, they're excited about this development of having two trains in there and, as you mentioned, bringing $17 million in investment a year into the Lower Mainland. In your feeling, how do the people in Vancouver and generally in the Lower Mainland feel about this economic opportunity that we will have?

Mr. Geoff Meggs: Well, all of the commentary in the newspapers has been universally positive and quite critical of the federal government for not responding in a more comprehensive way to the situation we see in front of us right now.

I think there are some rail experts who have raised some really important questions that have to be resolved before we could talk about getting to high-speed rail, but we could certainly improve the speeds on the current alignment, and that would have a big economic benefit. But we don't want to do anything that would upset the ability of our goods traffic to move back and forth correctly.

What's surprising to me as a relative newcomer is the lack of a coordinated approach, at any level, to the opportunities we see north and south. We've talked quite a bit about east and west with the gateway, but not the north-south option.

● (1610)

Mr. Sukh Dhaliwal: So you strongly feel that this fee of $1,500 a day should be borne by this government to create a regional opportunity? How does the tourism industry feel about this $1,500?

Mr. Geoff Meggs: They're very much in favour of the investment, obviously, and they question why it hasn't happened already.

As I say, I really haven't seen anyone step forward and defend the decision not to invest money, particularly once the minister was prepared to find it for the Olympics. But it's very difficult for our friends in Washington State to make a strong pitch to Washington, D. C., if we're not even prepared or we're trying to charge people for the privilege of visiting Canada using a regular train. It just doesn't work. And there's a credibility problem for the Washington State officials, who will simply have to focus on the traffic down to Portland and Eugene and forget about us if we don't find some fairly quick resolution on our side.

Mr. Sukh Dhaliwal: How do you see the American counterparts opening up to this idea, compared to how we are sitting here in Canada? We have a very small portion of that track, and it's only $1,500 a day additional money that we're talking about. Are the American counterparts willing to work with us even if the present government is not a partner in this particular project?

Mr. Geoff Meggs: Frankly, they're imploring us to work with them, and they were very excited to have Mayor Robertson there. Mayor Robertson is now hoping to take the issue before the TransLink council of mayors, which represents all the municipalities in the region. They've been working on this for a long time. Former Premier Mike Harcourt worked on possible new alignments for a high-speed train as long ago as the mid-1990s.

The work has gone ahead very slowly but steadily in the United States and has stalled here in Canada. The Fraser River bridge is one problem, and we have other difficulties to confront. They're hopeful, and so am I, that we'll find a way to coordinate our efforts and respond.

The Chair: Thank you.

Monsieur Laframboise.

[*Translation*]

Mr. Mario Laframboise (Argenteuil—Papineau—Mirabel, BQ): Thank you, Mr. Chair.

Mr. Gilbert, if I understand correctly, you expect that rising oil prices will put some pressure on the air transportation industry. You mentioned at the close of your presentation that in the United States, the number of major airports would shrink from 330 to 50. You also said that higher prices would have the same impact in Canada.

Did you in fact say that Montreal's Trudeau airport would no longer be a major airport, and that everything would be concentrated in Toronto?

[*English*]

Mr. Richard Gilbert: I think I was even-handed and said that it could be one or the other, but I think that's quite far in the future. I think as far as looking at the success of high-speed rail goes, it is not so much the competition with air that you have to consider but the competition with the car. That's where the majority of your passengers are going to come from, at least on the shortest routes, because that's how people drive.

I mentioned the figures for Calgary-Edmonton. It's about 93% by car. That's where you have to think of attracting the passengers. Just trying to knock the airport industry is not very helpful. I raised the matter only because I was asked by the analyst to talk about how you would link with local traffic. This business of having connections to airports is part of that, and it does have benefits.

I would say that there is an issue in the northwest as well. Vancouver eventually is going to be competing with Seattle in particular, but also with other places, for a viable airport, and if it has good rail service, that could make all the difference.

● (1615)

[*Translation*]

Mr. Mario Laframboise: I agree with you. Airports must become a hub for all travellers. I think that is the right approach to take, that is linking airports with high-speed rail service. You peg the cost of network electrification at $40 million per kilometre. You feel that the studies you consulted underestimated the costs in Canada. Is that correct?

[*English*]

Mr. Richard Gilbert: No, I said one particular cost had been underestimated, and that was according to the Van Horne study of the line between Calgary and Edmonton with one stop at Red Deer. I haven't examined that study carefully enough to know which parts of it they've underestimated. I've just compared the total costs with the total costs of equivalent studies, and it's an outlier. The lowest cost elsewhere in the world I found was $17 million. Their cost was $11.5 million, or maybe about $13.5 million today, and the cost goes as high as $53 million per kilometre. I think that something in order of $40 million a kilometre is a good number to look at, and that's the one we use in our book, although we use U.S. dollars in the book.

[*Translation*]

Mr. Mario Laframboise: You mentioned Calgary and Edmonton, Mr. Rowden. You don't feel that high-speed rail service between these two cities is feasible. Is that correct? You believe that a separate track would be needed and that the terrain is not conducive to providing this type of service.

Are you saying quite simply that the idea of high-speed rail service between Calgary and Edmonton should be scrapped?

[*English*]

Mr. Allan Rowden: I might not have been heard correctly. What I was referencing was that based on earlier comments that there would have been a third corridor in the densely populated southern Ontario, it's conceivable there would need to be a third corridor for a higher-speed rail system. In between Calgary and Edmonton, the land space wouldn't turn around and you would definitely have to have another corridor outside of the existing railway corridor. And that's entirely feasible.

Where the controversy and conversation would come from would be simply on the fact of having a high-speed rail system that's going to be connecting at the ground, basically because of the infrastructure that is already in place, not only on primary roads but on secondary roads and third-level roads. A tremendous amount of interface would have to be recognized and properly be identified just from a simple safety point of view, and the local population would be very concerned about that particular system being put in place.

There is no shortage of people who would use a system, but whether or not it is a conventional grounded system is what the conversation would be about. There are other systems that can move people that would make more efficient use of a corridor than a higher-speed railway that would minimize to the maximum any interfacing with the existing infrastructure.

Mr. Gilbert was mentioning the cost side of developing that corridor being on the low side. Traditionally in Alberta, the cost of road development and any rail development is a lot cheaper than it is in other parts of the country. Even though I understand his need for having a benchmark on the cost point of view, I would probably want to defend the cost per kilometre on what they used for Calgary to Edmonton. This is because, even though I'm not in favour of a grounded system, our general construction costs per kilometre are less than what they are in other areas of the country.

● (1620)

The Chair: Thank you.

Mr. Bevington.

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

Mr. Gilbert, what you suggested is that there are so many linkages between what's going to happen in the transportation system that it makes the choice very difficult without a visionary approach to this transportation system. You have to understand some of the details.

I'm interested in the work you've done on alternate vehicles. How would a properly functioning electric car with a range of 400 or 500 kilometres change your equation?

Mr. Richard Gilbert: A properly functioning electric car with a range of 400 or 500 kilometres, with respect, is a dream. It's not going to happen in the timeframes that we're talking about. We'll be lucky to have an affordable, properly functioning electric car in the next couple of decades that could do 200 or 250 kilometres, in my view. Electric cars are going to serve very useful purposes for shorter distances. But for what we're talking about, unless a way is devised of having small personal vehicles charged while they're in motion, such as how a streetcar gets its power from the cable, or the high-speed rail gets its power from the cable or the rail, so that you can drive on the 401, for example, and put an antenna out and grab some power as you're going, a kind of *Jetsons* scene, we're not going to see personal vehicles doing that. We're going to need something like high-speed rail or higher-speed rail.

Mr. Dennis Bevington: Rather than, let's say, an electric vehicle with a backup generator? That's more than likely the model that would follow for long-distance electric vehicles.

Mr. Richard Gilbert: Yes. This is your General Motors Volt concept, a concept that, in my view, is becoming increasingly criticized for being neither one thing nor the other. Either it's a battery vehicle in which you have the inconvenience of lugging around a great internal combustion engine, or it's an internal combustion engine vehicle although you have the inconvenience of lugging around a great battery. It would be better to devise two kinds of vehicle, one for shorter distances that is electric, and one for longer distances that is an internal combustion engine, if that's the way you want to go—to stick with personal vehicles.

But what we've seen elsewhere is that high-speed or higher-speed rail can work, can make huge dents into other modes of travel, and can bring places together. It's not a futuristic thing. It's not something you have to dream about, such as an electric vehicle that will go 500 kilometres. It's available now.

Mr. Dennis Bevington: I don't think we have to dream about high-speed rail. I've travelled on many of them around the world.

But when you transform society, which is what we're talking about doing, by getting 80% of the people travelling between Edmonton and Calgary onto a train rather than a personal conveyance device that they can drive from their driveway to someone else's driveway, it's an enormous convenience. How do we accomplish that societal change with this investment of billions and billions of dollars? Are we going to accomplish it or are we going to find that we won't be...?

That's where the visionary stuff really has to be. Can we modify society enough to make high-speed rail successful in any case?

Mr. Richard Gilbert: If gas prices don't go up, then high-speed rail, the way it's presently conceived, is not going to break even. It's going to need a subsidy. What I was talking about was trying to explore—and I think this should be done much more rigorously than I've had the opportunity to do—what would be the break-even price, and is that a relevant price? If you were to do your sums and find that it was $20 per litre for gasoline that was the break-even price, then you wouldn't worry about that argument. But you can do the sums and find out that it's actually not $20 per litre; it's something actually quite close to where we are now, or not so much where we are now, but where we were last year. That makes it very interesting.

So you're not doing any societal engineering. What you're doing is saying, look, we have a reasonable chance that the oil price is going to go up that high, and thus the gas price will go up that high, and therefore a goodly number of people, if the rail is there, will use the rail.

● (1625)

Mr. Dennis Bevington: Mr. Meggs, do you have any sense of the volume of traffic in that Vancouver-Seattle-Portland run and what volume would be available for a higher-speed train?

Mr. Geoff Meggs: Well, they believe that the doubling of the daily service from one per day to two per day would add about 35,000 visitors per year to Vancouver, which is not a large number, but that the ultimate volumes are much, much higher. And not too many recent studies have been done.

The challenge we're going to face, which I think has been touched on in the other presentations, is that if we get up to the speeds that are possible with conventional rail, we have to work out our relationships with the freight carriers because of the enormous amount of freight that goes back and forth on those tracks. I think you've had testimony earlier that you can't share freight and passenger rail much above 90 miles an hour or something in that range.

We need to make these incremental steps and start long-term planning, because the real gains would come with higher speeds—not even the highest speeds—but those will require quite a few investments to make sure we don't harm goods traffic. I don't have a specific number, but certainly for a long time they've believed that we're the logical end of this route, not Bellingham or just north of Seattle.

The Chair: Thank you.

Mr. Mayes.

Mr. Allan Rowden: Mr. Tweed, could I ask a question? I'm sorry for interrupting right now.

The Chair: Go ahead.

Mr. Allan Rowden: There was a point raised about whether or not there was an electric car, and Mr. Gilbert had mentioned that it was his opinion that it would conceivably be 10 to 20 years before we would have a car that would regenerate itself as it was travelling.

One of my points of concern is that when we're in the decision-making process, we always have to reach a point where we've made a decision and fixed a design, and there is always that point. Many of us have been involved in projects for which there has always been the question of how you maintain the schedule when you've already agreed to a fixed design. Design has a certain amount of bias, and in order to proceed to a decision, you have to benchmark some of your design.

As recently as last week—and I would suggest to Mr. Gilbert that he could touch base with the *Calgary Herald*—there was a new mode of regeneration for batteries—not for large batteries but for smaller batteries—being patented by a local designer. It brings the existing cars that are on the market today from electric propulsion and gives them an opportunity of going 300 or 400 or 500 kilometres simply because they're recharging. His new alternator-generator system allows for that opportunity, as far as that goes.

I have a question for Mr. Meggs in Vancouver. I was looking at the numbers, and if I understood them correctly, we were suggesting that for a cost of $1,500 a day—roughly $450,000 to $500,000 a year—we would be able to capture something in the neighbourhood of $17 million. Am I correct? Are those the numbers we're using?

Mr. Geoff Meggs: The Washington State—

● (1630)

Mr. Allan Rowden: Is there not a local incentive? When I'm looking at numbers like that—

The Chair: I have to interrupt there. Actually, while it's a good question, I think the committee members are anxious to ask their questions, and perhaps you can have that conversation afterwards, if that's fair. I'm sorry to interrupt.

Mr. Allan Rowden: All right.

The Chair: Mr. Mayes.

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

I'd like to direct my question to Councillor Meggs, please.

One of the things the committee has looked at is not only high-speed rail but also the light rail links to that high-speed rail. Our government has made some significant commitments to Vancouver to aid the light rail links. Do you have any idea how much the Government of Canada has contributed to the Canada Line from the Vancouver airport to downtown Vancouver?

Mr. Geoff Meggs: It's been a while since I looked at the numbers, but it's hundreds of millions of dollars, in the order of $300 million, I think.

Mr. Colin Mayes: Also, the Evergreen line that's coming in from the Mission area to downtown Vancouver, which was announced, is about $300 million. So we have made some significant investments in your city to assist Vancouver in making sure those light rail links are there to deal with the environmental issues and grid congestion.

When we look at the issues you brought up about the high-speed rail from Seattle to Vancouver, and talking about the Canada Border Services Agency charging the $1,500, I need to let you know that there is a public policy, and regardless of whether it's in Vancouver or any other place at a border crossing in Canada with a rail, those charges would have to be charged as a cost recovery. Of course any government across Canada, if it changed policy, would have to do that. We serve all Canadians.

As Mr. Rowden mentioned, it's about $500,000 a year. I know it looks as though the Government of Canada is not willing to invest that $500,000 so that Vancouver can benefit, but you have to look at the big picture, and that's our job here, in representing all Canadians across the country.

I'm a British Columbian, and I was brought up in Vancouver, so I do appreciate what you are saying about where the market is for Vancouver. It's not necessarily from east to west; it's north and south, and that's very important. But I kind of question the criticism of our minister, who is working on this file and is trying to help out in this situation to encourage high-speed rail from Seattle to Vancouver.

The question I have for you is what the City of Vancouver has done with regard to long-term planning for high-speed rail to Vancouver. Have they put together a corridor that you have planned and made sure that the land is available to bring high-speed rail into Vancouver from Seattle?

Mr. Geoff Meggs: Well, as a city, we've certainly had titanic struggles with CPR to retain the right to keep former interurban tracks available for transportation corridors. That battle was very expensive and, I believe, was fought all the way to the Supreme Court of Canada.

Under provincial law, we're subject to the decisions of TransLink, which is the regional transportation authority, and it is working in its planning to facilitate the development of high-speed rail. I don't know if Mr. Dhaliwal is still there, but certainly the Washington State authorities, and I think TransLink too, are alive to the reality that it may be necessary to link higher- and high-speed rail to connections in Surrey, for example, where it would tie into the SkyTrain line and that kind of thing.

With regard to the business case for the extra investment, I think that's a discussion in which the minister needs to engage in a more straight-up way. I don't mean to say "straight-up" in the sense that he hasn't been direct and candid; I just think that we really do need to sit down, study the policy, and see if there are steps that can be taken to encourage this step. There's a huge investment available that would benefit B.C., for a relatively modest investment on our side, and the American side certainly is puzzled and unable to communicate. I didn't have the material necessary to communicate what the basis of the rejection was. They certainly didn't feel that they were already paying and would have to simply include that in their business plan.

● (1635)

Mr. Colin Mayes: Have there been any plans at all rather than using those CN lines for the corridor or putting, for instance, a corridor to the Vancouver airport where we do have the Canada line, which would take passengers right to downtown Vancouver? Do you have to use that existing corridor?

Mr. Geoff Meggs: No, I think that in the 1990s, when it was an extremely preliminary and high-level concept, they decided that there would need to be a new corridor identified, perhaps on the trip somewhere saying that maybe we actually would use the alignment already created for the highway that goes through, because it's already been alienated from other uses and might be available. There's apparently a hydro right-of-way that could work, but east of the I-5 is where most of the people feel you're going to have to do a bit of a greenfield development.

Your witness from Calgary has pointed out some of the challenges that raises politically, but they feel a new alignment will be necessary to get to the higher- and high-speed rail connection. One concern we have in Vancouver, and why we have to be careful here, I think, is that when we get to the next stage we have to be sure that we bring in our existing goods carriers, because they're relying on those routes already to carry freight traffic. As I think you've already heard, you simply can't keep adding in passenger trains and expect it all to work out. At some point, you have to make a decision to create a corridor for the passenger traffic.

Mr. Colin Mayes: I appreciate that. I just want to repeat, so that you understand the position we're in as far as the policy with regard to charging for the border security is concerned, that if those charges at that border crossing in British Columbia are borne by the rest of the taxpayers in this country, then we have to think about those other border crossings.

You have to appreciate the position we're in. I'm sure the minister wishes to work with you and try to make that crossing easier, but we do have a job to do to secure our borders and to make sure there is user-pay.

I'd like to direct my next question to Mr. Gilbert. Do I have time, Mr. Chair?

The Chair: You have 20 seconds.

Mr. Colin Mayes: Mr. Gilbert, I just didn't catch your cost estimates. Was it per kilometre or per mile at somewhere between $15 million and $17 million to build high-speed rail?

Mr. Richard Gilbert: I'm suggesting something in the order, ballpark, of $40 million per kilometre. The range I quoted was that of the International Union of Railways, usually known by its initials in French, UIC, which was $17 million to $53 million Canadian per kilometre.

Mr. Colin Mayes: Why I asked that question is that we had a witness here who told us that the corridor from Quebec, the Montreal-Windsor corridor, is around 1,200 kilometres and would cost about $20 billion. What you're saying is actually is three times that, at $60 billion. That's why it was quite startling.

Mr. Richard Gilbert: Your math is better than mine on that immediate point, but there has been a lot of underestimation. The UIC range was for actual projects or some that are in an advanced state of planning. The other one, which I think is actually the most relevant one to our circumstances, is the California High-Speed Rail Authority. Theirs is almost exactly $40 million Canadian for their 1,300 kilometres—a very comparable distance—from Sacramento to San Diego. If you want to examine one in detail, I would look at their numbers and see how they differ from the estimate you had earlier.

The Chair: I want to advise the committee that Mr. Gilbert did provide a sheet. We have asked for it to be translated, and when that is done, we'll circulate it to the members. The numbers are actually printed there. The sources in which the information can be found are all detailed on the back.

Mr. Volpe.

Hon. Joseph Volpe (Eglinton—Lawrence, Lib.): Thank you very much, Mr. Chairman.

Thank you very much to the three gentlemen for coming forward. I think I've known Mr. Gilbert and known of him from another life for decades. He doesn't know me, but I recall his days as a city councillor.

Mr. Gilbert, I don't really want to divert the discussion to the one that has just surfaced, on the estimation of cost. That's what the current feasibility study is designed to do: to upgrade and upscale and make contemporary the figures that have been derived through other feasibility studies, so that we'll have a more or less accurate figure for what the costs are.

That having been said, you really have introduced a different element into this discussion with your estimate, based on the figures you've quoted in your piece. It is an estimate that goes well beyond any estimate by any of the other feasibility studies, including the ones done by VIA, including the ones done by the railways with the help of the financial institutions and the airlines.

I'm not sure whether it's going to be helpful from here on in to talk about differing estimates—we know that's going to be dealt with before the end of the year—but I thank you for being cautious in explaining to us that the numbers are numbers, and that they differ from place to place. The value of the land will obviously be a very big one, but the cost of construction of rail, even in the orbit that you've outlined for us, still pales in comparison to the cost of construction of a four-lane separated highway once one takes into consideration the acquisition of land. I think you'd agree with that too.

● (1640)

Mr. Richard Gilbert: I would also say that Mr. Rowden's point has some merit. It has some merit for other reasons, but even if only for the reason that Alberta is pretty flat, or at least the Calgary-Edmonton route is pretty flat. The most expensive part of building any surface transport facility generally, but for rail in particular, is the tunnelling. For none of the routes that we're talking about or that I focused on, and maybe none at all in Alberta, would you need much tunnelling, so that could very well reduce costs.

I don't claim to be an expert on these costs. I was merely reproducing other costs, costs that I have reviewed fairly carefully, and those are the numbers that other people have used. As I say, I put in my document the most authoritative ones, which are from the International Union of Railways and the California High-Speed Rail Authority.

Hon. Joseph Volpe: But they're not from the feasibility study that was done by the governments of Ontario, Quebec, and—

Mr. Richard Gilbert: I don't have that information. It's not available to me.

Hon. Joseph Volpe: It is now. Their estimates were considerably lower. But that's okay; at least you documented where you got your information.

Mr. Richard Gilbert: You say I've introduced them. I would hope that there were two stronger things I've introduced into this discussion. One is that you really have to have a sense of where the price of oil is going before you even begin to think about this. The second is that once you have that sense, then start with the premise that you want it to cost nothing in terms of subsidy, and work from that. That was my analysis. I put it in the context of the price of oil, and I said, what would it take to have a no-subsidy high-speed or higher-speed line? Then work back from there. I would hope those other two points are actually stronger than the details about the costs, which could very well be different for the circumstances we're talking about.

Hon. Joseph Volpe: Speaking only for myself, I don't think my point—you're raising the point to which I made reference—necessarily deviated from those other two points as well as others, because obviously this is going to be a decision made on public policy into which a whole series of factors comes into play, not the least of which, of course, is the financial one, and the public intervention one from going down the road once the key is turned....

I was interested, as well, in some of your observations with respect to one other element. You said that high-speed—not higher-speed—passenger rail is essentially designed to move people faster or more efficiently than a car, an electric car, which you've identified as being perhaps still in somebody's dream for the long range. I noted that you avoided, perhaps studiously, the fact that once you're moving people, you're actually thinking in terms of moving mass numbers of people and transferring them off one set of infrastructure onto another. It's not just moving them out of a car, and out of an electric car, but moving them off the highway and replacing the highway with a rail highway.

That's something people have not addressed. That's why I referred to the construction of a four-lane highway. How many of those will you have to do as the population grows? Then, how will you do that efficiently in an urban environment and an interurban environment, as opposed to just an intra-urban environment? I know that you were at one time very interested in the intra-urban transportation issues. In those days, I don't think we were close to the city car or the electric car that would be perhaps a combination, as you put it, of an engine that was dragging a heavy battery or a battery that was going to push a heavy engine.

I'm not sure that some of the scientists and researchers I met today would agree with this, but I found that particular perspective interesting. Do you, supported by your studies, really think that the only area of growth is in taking them away from an automobile—i.e. highway—system and putting them on rail? If you have trains, presumably you can take more off at a time. Is that really where everybody is looking—just at taking them out of a car and off the highway?

● (1645)

Mr. Richard Gilbert: You have to look at the numbers that are required to provide even a half-decent amount of revenue to cover the costs of this. Just going back to the Calgary-Edmonton corridor, where the numbers seem reasonably clear to me, you have 25,000 people a day, of whom about 23,000 or 24,000 are going by car.

Hon. Joseph Volpe: Is it individual cars? It's important to make that distinction as well. In the Toronto area, it's very rare to see two people in a car on the highway. It's usually one per car.

Mr. Richard Gilbert: That's a complication, and that would have to be in any detailed analysis. That would have to be—

Hon. Joseph Volpe: Really, you're taking cars off the road. You're not taking people off the road.

Mr. Richard Gilbert: Yes, but the thing is the numbers of fares that would have to be paid to cover the cost. I start with an analysis where things cover their cost. Then subsidy, you might say, is a way of addressing shortfalls in that. The primary shortfall is that you don't have enough passengers to do that. I mean, you can envisage a high-speed service between Calgary and Edmonton that carries 20,000 people a day for all trips in all directions. My estimate is that this would cover its cost.

Maybe realistically you're never going to get above 10,000 a day, which means, very roughly, that you have a 50% subsidy of the thing. But the big factor here, I think, is the oil price. It's not a question of social engineering and how you get the people out of their cars. Above a certain oil price, they will get out of their cars if the train is available.

The trick is to try to estimate that. My guesstimate—and I really wouldn't call it more than that—is something in the order of a $1.60 a litre. It's where I arrived at and what I presented at this Red Deer conference. It may well be wrong, but I don't think it's hopelessly wrong. It may very well be $2.30 or something like that.

It's the numbers. You have to figure out the numbers. I don't have the numbers for Toronto-Montreal and Toronto-Ottawa. I'm inclined to think that they might be a little bit better than the Calgary-Edmonton ones, but I don't have them.

The Chair: Thank you.

Mr. Laframboise.

[*Translation*]

Mr. Mario Laframboise: Thank you.

My question is for Mr. Meggs. You said that you had requested $800 million from the federal government. If I understand correctly, the money would be for the development of the Cascadia corridor. Is that right?

● (1650)

[*English*]

Mr. Geoff Meggs: No, that's the estimated size of Washington State's application to its own federal government under the Barack Obama stimulus plan. They are making their submission in the United States, but they would like to forecast the extension of the service to Canada.

[*Translation*]

Mr. Mario Laframboise: Did you submit a request to the federal government?

[*English*]

Mr. Geoff Meggs: No. Today, as I indicated to your colleague, our request is that they revisit the business opportunity for a second train set from Seattle to Vancouver each day, because by doing that we would show our commitment to the development of this corridor down the road.

Our request is for about half a million dollars.

[*Translation*]

Mr. Mario Laframboise: Is that half a million dollars a year?

[*English*]

Mr. Geoff Meggs: That's correct.

[*Translation*]

Mr. Mario Laframboise: I see.

You said that if the high-speed train used the same corridor as the freight train, the maximum speed at which a passenger train could travel would be 90 kilometres, or 90 miles per hour. Is that correct?

[*English*]

Mr. Geoff Meggs: No, I'm referring to testimony that I think you received earlier from Burlington Northern Santa Fe. At least, that's what was in a paper that, I believe, I received from your committee. It indicates that, over those speeds, it's impossible to mingle freight and passenger traffic safely and efficiently. So you can use conventional rail to get to the higher speeds soon, but it's very difficult at the higher end to mingle freight and passenger traffic on the same corridor. You need to start separating it.

[*Translation*]

Mr. Mario Laframboise: There is no question that a high-speed train needs to have a dedicated track. Has the City of Vancouver already looked into this? Have certain corridors been considered, or must you handle all of the analysis and development for this project?

[*English*]

Mr. Geoff Meggs: No, we are focusing mostly on our urban requirements, because we're part of a regional transportation body that is doing some of the analysis you would like to see.

Our assumption has been that the trains will continue to come right downtown to False Creek and Science World, but as I said, the Washington State officials say a quicker and cheaper solution may be to bring them to the end of the current rapid transit service which is out in Surrey, pretty close to Mr. Dhaliwal's home ground. So some of that analysis needs to happen. We're at such an early stage here that simply adding a second regular passenger train a day would be a good step forward.

[*Translation*]

Mr. Mario Laframboise: The governments of Ontario, Quebec and Canada are doing an analysis and have ordered a study to update the 1995 studies on high-speed rail. Do you plan to ask the governments of British Columbia and Canada to do a study? Have you already done so? Is it something you are considering?

[*English*]

Mr. Geoff Meggs: We do want to pull together a group of stakeholders here to seek that work and make sure it's done. We just came through a provincial election, and we don't really know right now who our transportation minister is in B.C. The Province of B.C. did make some investments along this line to assist the movement of goods in cooperation with Washington. I think they're open and receptive to it, but most of the work is going to be done on the U.S. side of the border, and we believe we would be disproportionately benefited by that work. So we'd like to keep up the good faith relationship, and at the moment it's a bit tough.

[*Translation*]

Mr. Mario Laframboise: Thank you.

[*English*]

The Chair: Mr. Watson.

Mr. Jeff Watson (Essex, CPC): Thank you, Mr. Chair. Thank you to our witnesses for appearing as we undertake the study of high-speed rail and intercity urban rail as well.

In 1995 a feasibility study demonstrated very clearly that very slight changes in variables literally made or broke viability in terms of a business case for high-speed rail. The longer I'm into this current study, the more I'm getting a sense that the Canadian business case is still quite fragile. In terms of what our presumptions will be going forward in constructing, the business case would have to be extremely solid, or any slight changes could really make the difference in whether this would be viable or not. Is that because we don't have some of the important elements that are present in the business case in Europe or Asia?

Maybe I should start by asking whether anyone has any understanding or opinion of whether high-speed rail in Europe is profitable in terms of cost recovery, both for capital and operating costs. If so, where would that be and for which lines? Does anybody know that particular detail? Maybe that's where I should start.

● (1655)

Mr. Richard Gilbert: Unfortunately, there is no simple answer to that, because governments have a sometimes terrifying way of obscuring costs, especially for capital investments. If you were looking for an example, I think the Paris-Lyons line, if you could get the numbers, is the one you would go to. I think you would look at a couple of routes in Sweden where I think there are some decent numbers.

The general answer is that you're going to be disappointed. The other general answer is that you're going to find that usually they have been subsidized, and sometimes quite heavily.

If I could comment on the fragility, I absolutely agree with you. However, there is one 800-pound elephant in the corner, and it's oil prices.

Mr. Jeff Watson: I'll get to that in just a moment, Mr. Gilbert, since you raised that, but I'm going to presume that because of things like density and ridership numbers, for example, which would be greater in Europe, their case would be a little less fragile than ours would be here in Canada.

Since you want to move on to the price of oil, one of the fragile elements you raised was the case for switching from automobiles. I'm not sure the price of oil has shown that this is the cause for lower vehicle consumption currently in the marketplace. In other words, I think what we saw with high gas prices in the United States was that there was a switch in the types of vehicles that were being driven—away from SUVs, for example, and into more fuel-efficient vehicles. The collapse in current demand has a lot more to do with the availability of credit, because nine out of 10 buyers have to be able to finance a vehicle. So I'm not sure I accept the direct correlation that people will switch from automobiles over to high-speed rail because of the price of oil.

You've raised an interesting point, because if we don't get enough people to switch over, that affects the business case and the viability going forward.

Maybe all panellists might want to weigh in on this. If we embark on this venture, are we really looking at permanently subsidizing the high-speed rail either in terms of operating costs or...? Are we going to be able to recover costs?

Go ahead, Mr. Meggs.

Mr. Geoff Meggs: I'll be very brief.

It was very striking in Washington State to see that both in the United States and in Canada we really have had a 40-year gap in commitment to passenger rail, so the idea that we would now leap over all those stages and go straight to high-speed rail has struck some people here as a bit utopian. I think high-speed rail should be the goal, but we shouldn't throw out the baby with the bathwater and lose the opportunity to recommit at much lower levels of cost, as Mr. Gilbert has said, and with the tremendous benefits of higher-speed rail or better rail. There's a whole host of policy issues that the Americans are going to have to wrestle with—and we will too, because we're so interlocked—concerning computerizing the train management system so we can move more freight and people on the same track, and so forth. I think these are going to be things we have to do, just the way we invest in lots of other economic infrastructure. Subsidies may be necessary, but the benefits will outweigh them.

Mr. Jeff Watson: Does higher-speed rail involve a separate corridor as well, or will it be on the same line as freight?

Mr. Geoff Meggs: Maybe Mr. Gilbert knows better, but I was told the answer was yes.

Mr. Richard Gilbert: Yes, I'm inclined to agree. The Deutsche Bahn German railways have tried very hard to run both freight and passenger at relatively high speeds on the same track, and where they have finished up is that basically the passenger runs during the day, and the freight runs at night. It's a short night and a long day. I don't think the results are very good. I'm not too familiar with this, and I think the conclusion is that it would have been better to separate it even there.

● (1700)

Mr. Jeff Watson: Mr. Chair, do I still have time?

The Chair: You have thirty seconds.

Mr. Jeff Watson: In either fashion, we're looking at the cost of constructing some sort of separate corridor where it can be viable. Presuming that we move ahead, what are some of the impacts with respect to shipping—freight costs, freight volumes and things like that—and moving passengers at higher speeds to a different corridor? Can you provide any detail on what that will likely mean for, say, shipping costs?

Mr. Richard Gilbert: I would say that at the moment in Canada the impact of passenger trains on freight movement is negligible. If you were to move it to another line, it would hardly be noticed. That's not entirely true and it's not true for every single kilometre, but over the whole system it's negligible. The answer is that it wouldn't reduce freight costs.

The Chair: Mr. Bagnell.

Hon. Larry Bagnell (Yukon, Lib.): Thank you, Mr. Chair. I'm going to split my time with Mr. Dhaliwal.

My main question is for Mr. Gilbert. As you know, governments build highways but they don't build train tracks. When you looked at the distances and the indirect costs for the different rails, did you take into account a scenario where you would take the cost of the government's building the tracks out of the cost to the train companies, or the cost of lost revenue from gas taxes on the highways?

Mr. Richard Gilbert: We certainly didn't look at the last one. That's going to be a factor that governments will have to work out.

For the first one, almost all of the cost of this, certainly more than three-quarters of it, in my view, is capital cost when you amortize over a reasonable period—30 or 35 years. If you're having to pick up only, say, 20% of the total cost, the number of passengers that you need, the number of fares you need to do that is very substantially reduced—it's reduced by 80%—so it becomes much easier. There are many models that look to covering the operating costs. The California one talks to making "a profit", with government picking up all the capital costs and the operating authority running at a profit. I think they say $1 billion per year, but I can't remember the precise number. But it's not really a profit. The people of California and probably the U.S. as a whole will have made that huge investment.

I have separated out the capital and operating, and you can see how the operating can work pretty easily.

But your other question about the gas tax is something that needs to be fed in through all the thinking about this.

Mr. Sukh Dhaliwal: Thank you, Chair.

Mr. Gilbert, Councillor Meggs was saying that an additional $1,500 a day and $500,000 a year is going to create $20 million in economic benefit to Vancouver and the Lower Mainland. The Americans are the ones using the existing tracks and the existing infrastructure; all they're putting in is additional trains. For the train that already comes in, the CBSA or the government is not charging any levy.

Do you agree with Mr. Meggs that waiving this $1,500 a day in fees and bringing in $20 million is worthwhile for the people of the Lower Mainland?

Mr. Richard Gilbert: I didn't come prepared to answer that question. In fact, I didn't even know about this charge until yesterday, when I was reading the record of this committee. All I can say is, if what you say is true, Mr. Dhaliwal, that you can invest $500,000 and get $20 million back, I would like to put some of my money into that.

Mr. Sukh Dhaliwal: Thank you.

This question is for Mr. Meggs. The Oregon-British Columbia line was built in 1872, and the last time it was upgraded was in 1914. The Washington State government is willing to put about $800 million into the plan. Is the local B.C. government or the Canadian government doing anything to be a partner in the upgrade of this particular project?

● (1705)

Mr. Geoff Meggs: Mr. Dhaliwal, the provincial government has put some money in—I think that was reported earlier—toward sidings and some improvements, but there isn't a plan that I've been able to identify for a real upgrade. The main problem we face is that century-old railway bridge, which is a bottleneck for goods traffic, never mind passenger traffic. It is one of the biggest things we have to confront in terms of rail service generally on the west coast.

Mr. Sukh Dhaliwal: You mentioned that there could be a link between Surrey and this train, because Surrey is soon going to be the biggest municipality in British Columbia. Can you elaborate on what you meant by that?

Mr. Geoff Meggs: The Washington State officials who looked at possibilities would like to end up close to rapid transit. The southernmost point of rapid transit is the extension of the SkyTrain lane out to Surrey. Some of those stations cross old railway alignments and rights of way. In a very preliminary way, they have considered the possibility of stopping short of Vancouver and going to Surrey, because there would be rapid transit there. Of course, Vancouver would be disappointed, but it would be an overall improvement for the region.

Ms. Lois Brown (Newmarket—Aurora, CPC): Thank you, Mr. Chair, and my thanks to you gentlemen for being here.

Mr. Meggs, if this is such a lucrative proposal, I'm surprised that the City of Vancouver hasn't already invested in it. With that kind of return on the dollar, it seems something that the city would want to get in on very quickly.

Mr. Gilbert, last year we saw a sharp rise in the cost of oil, and I believe there were other influences in the speculation that was driving it. Whether we'll get to that cost again soon, I don't know. Last week, every one of us parliamentarians were invited to participate in Frank Stronach's demonstration of his new environmentally friendly car. He has an electric car, and Magna is determined to get this into production. They see this as something happening very quickly, and they're doing the research and development on it. We're looking at electrifying rail, if we go to high-speed rail. Do we produce enough electricity to do this?

In Ontario, we're facing some constraints in electricity. In my riding of Newmarket—Aurora, there has been considerable discussion over this very unpopular peaker plant that is coming into York region. We're already under constraints for electricity. We're seeing a reduction of capacity from the coal plants, which has been a policy of the government in Ontario. If we move to electric cars, which I think will soon be coming into production, and we take steps to electrify rail, what will this do to the cost of electricity for consumers? Has a cost-benefit analysis been done on electricity and oil for the rail?

Mr. Richard Gilbert: These are also questions that I didn't come prepared to answer. But I can tell you about two analyses that I have been part of: one for China, and one for the United States. The United States, which has one electrified city line, has almost zero electrification. We proposed 30% electrification of the road system by 2025. These are very rough numbers. We looked at the increased amount of electricity that would be required to do that, and we concluded that it would be about 7% of the expected electricity supply in 2025. We then turned to China. The numbers were different and the circumstances were very different, but we came up with 8%—almost the same number.

These are very small increases. They could be readily accommodated by a concerted effort at conservation and a concerted burst in the use of renewables. I agree that Ontario is somewhat problematic, but it's next to two provinces that are not problematic. Circumstances are different across the country, but if our analysis for the U.S. and China applies to Canada, which I believe in broad principle it does, then this is going to be a pretty easy thing to do, with perhaps local difficulties.

● (1710)

Ms. Lois Brown: Thank you.

I'm sharing my time with Ms. Hoeppner.

Ms. Candice Hoeppner (Portage—Lisgar, CPC): Thank you.

Mr. Gilbert, in the research and the work you've done, do you see any place for private-public partnerships when it comes to the infrastructure or do you feel the only model that works is that of government footing the bill for all the infrastructure? Is there some room for private-public partnerships?

Mr. Richard Gilbert: There are several questions wrapped up in that. I prefer to start with the situation in which things pay for themselves and to try to devise solutions whereby things pay for themselves. A couple of years ago, I had an article in *The Toronto Star*, which you probably didn't see, about how the Spadina subway extension could be made to pay for itself. This is my initial working philosophy. I'd be happy to distribute it.

This is my approach to high-speed rail in Canada. First of all, start figuring out how it could pay for itself. Then, if you find that you really do need subsidy, apply the subsidy. Where should the subsidy come from? Well, I don't really care myself where the subsidy comes from. If it's a real subsidy, it's going to come from government, because no private sector organization is going to donate it.

If it's one of these things where the real issue is the risk rather than the actual amount of money, I don't mind the private sector doing it. But I must say that the private sector ventures I have examined in some detail, including the London subway, the London Underground, have not provided a lot of useful arguments for the people who support the P3 principle.

I don't have an ideological position against it. I don't think the data are in their favour, though.

Ms. Candice Hoeppner: If I look at the whole issue of whether people are going to use the high-speed rail, part of it is that it has to be a good scenario. For people to give up their cars, get on a train, and get to their destination, it has to be a positive experience and it has to provide flexibility. I think the private side will want to see that happen as well, so they might look at having a larger-picture solution, where transportation within urban centres also.... There's going to be an interest for them to make sure that's happening so that people will give up their cars and use the high-speed rail.

I'm just interested. Have you seen examples of that? You're citing London and you're not impressed with it.

Mr. Richard Gilbert: Well, yes, it is the case that there are not many examples of passenger rail systems that are operated privately.

Ms. Candice Hoeppner: Thank you.

The Chair: I think what I'm going to do, if there are any other questions, is allow two minutes for each party.

Do you have anything, Mr. Dhaliwal, a comment or a question?

Mr. Sukh Dhaliwal: Thank you, Mr. Chair.

I'll go back to Councillor Meggs. Again, on this issue of high-speed rail or the additional trains you are looking at coming into the Lower Mainland region, have you talked to the provincial government? What was their attitude? What should each government do, the local, the provincial, and the federal, to make this project viable and to make it happen?

Mr. Geoff Meggs: The whole opportunity really only became a live one when Barack Obama put forward his stimulus package. We were suddenly contacted by the American side at the municipal and state levels. We do want to go forward and have that discussion on our side.

I think our obligation at the city level is to talk to the other people in the Lower Mainland, but also to bring together the groups that are very concerned about the development of rail traffic, so that we don't start down a road that frustrates the goods carriers and isn't taking into account the expenditures necessary to improve the crossing of the Fraser River and things like that.

But what I'd like to see happen from Ottawa's perspective is for it to say that we need a national strategy for passenger rail and we need to find cost-effective ways to indicate that and support that, because we haven't had it for a long time, and I think we're paying a price now. I think Mr. Gilbert's comments highlight the tremendous pressures we're going to face to catch up in the near term.

● (1715)

Mr. Sukh Dhaliwal: When we see the economic opportunities this is going to create, the federal government will get in the range of 45% to 48% of the taxes, the provincial government will get in the range of 45%, and the cities will get 8%. What are your feelings if we have to download the whole half a million dollars a year on Vancouver when the whole region of the Lower Mainland is going to benefit out of this $20 million? What is your feeling about how the people in Vancouver will feel about taking on this obligation?

Mr. Geoff Meggs: I know there's some skepticism about the numbers. I made it clear that they're cited from the Washington State Department of Transport on the Lower Mainland's benefits from this service. I'm happy to try to identify the specific study and go back and look at it. I don't think anyone is arguing that there will be no benefits from it. We have to do our part to pay for rapid transit, buses, and so on. We're going through a debate in B.C. right now, on the Lower Mainland, about trying to raise $4.5 billion over the next 10 years to make investments in partnership with senior levels of government.

So I don't make any apology for saying the City of Vancouver has not allocated the money for a high-speed rail corridor. All I'm saying is that I think the City of Vancouver and its partners with the province and with Ottawa should be saying that's where the future lies and we've got to take coherent steps now to get there. As Mr. Gilbert has pointed out, if we don't, we're going to be in a serious problem.

The Chair: Thank you.

Mr. Sukh Dhaliwal: Thank you, Mr. Chair.

Thank you, again, to all of the panel members.

The Chair: Is there any other comment on this side?

Okay. With that, I'll thank our guests for being here—and not being here. It has been very informative.

Mr. Dennis Bevington: You've saved a lot of transportation costs.

The Chair: Thank you very much. We appreciate your time.

For the committee, come early on Thursday to see Moya Green from Canada Post. She'll be leading us off first thing at the meeting.

The meeting is adjourned.

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