



**Written Submission for the  
Pre-Budget Consultations in  
Advance of the Upcoming  
Federal Budget (2024)**

**By: Transport Action Atlantic**



## **Recommendations for Budget 2024**

Transport Action Atlantic (TAA) is a non-profit organization advocating for convenient, affordable and sustainable public transportation in Atlantic Canada. An affiliate of Transport Action Canada, TAA has been representing the interests of users of public transportation in Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland, since 1977.

As the federal government prepares Budget 2024, TAA is presenting several focal areas that we believe are key for inclusion in this year's budget.

- **1. PASSENGER RAIL:**
  - (1.1) That the government provide \$1.5 billion to fund the urgently needed procurement of a new long distance, regional and remote train fleet for VIA Rail Canada.
  - (1.2) That the government provide funding to protect and upgrade the rail line used by VIA Rail in New Brunswick.
  - (1.3) That the government provide VIA Rail the stable operating funding and mandate required to restore daily passenger rail service in Atlantic Canada.
  
- **2. FERRY SERVICE:** That the government honour its promise to address the unreasonable cost recovery requirements for Marine Atlantic ferry service to Newfoundland.
  
- **3. INTERCITY BUS NETWORKS:**
  - (3.1) That the government support existing and expanded intercity bus networks across Canada.
  - (3.2) That the government provide operational support for small-scale urban transit.
  
- **4. FREIGHT RAIL:** That the government contribute funding to restore freight rail service across Cape Breton Island.

## 1. PASSENGER RAIL

### 1.1 FUND THE URGENTLY NEEDED PROCUREMENT OF A NEW LONG DISTANCE, REGIONAL AND REMOTE TRAIN FLEET FOR VIA RAIL CANADA

TAA is asking the federal government to *immediately* provide the funding for VIA to replace the entire train fleet used on the long distance, regional and remote services.

Critically, this funding should support an order for enough trains to provide *daily* service on long distance routes. In the case of the *Ocean*, this would mean sufficient equipment for 3 full trainsets (with appropriate spares). It is critical that VIA be able to use this opportunity to lay the groundwork for a future return to former levels of passenger rail service nationwide.

VIA Rail provides passenger rail service to Canadians on the mainland from coast to coast, but unless its aging train fleet in Atlantic and Western Canada is replaced soon, it says it may soon need to stop serving these areas entirely. In Atlantic Canada, VIA's *Ocean* service between Halifax and Montreal connects more than two dozen communities along the way. This route serves many communities with limited transportation options, and provides a safe, comfortable, and environmentally conscious way to travel within the region and beyond.

VIA is currently placing brand new state-of-the-art trains into service in the Quebec City-Windsor Corridor. Funded in Budget 2018, this new fleet will provide a modern, efficient, and fully accessible experience for travellers in the Corridor. As the recent House of Commons petition from Transport Action Canada says, it's time for Canadians in the rest of the country to be provided with a rail service that meets this same standard.

The train fleet that supports VIA's long distance, regional and remote fleets is largely nearing 70 years old, and is fast approaching the end of its serviceable life. The existing fleet also falls well short of modern expectations for amenities and accessibility. Serious structural issues identified between 2020 and 2022 present an even greater urgency to the need to replace this fleet as soon as possible.

VIA is ready to proceed with procurement; they just need the funding to support this project.

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



## 1.2 PROVIDE FUNDING TO PROTECT AND UPGRADE THE RAIL LINE USED BY VIA RAIL IN NEW BRUNSWICK

TAA is asking the federal government to provide either (a) the funding for this line to be upgraded to restore past speeds, and thereby significantly reduce the *Ocean's* travel time, or (b) provide VIA with the funding to purchase this section of the line from CN, allowing them to set the standards for maintenance and track quality, and ensuring the long-term viability of the *Ocean* service through northern New Brunswick.

VIA's *Ocean* service has seen severe degradations in its overall schedule through recent decades. Much of this schedule is due to the deterioration of a section of track in New Brunswick, known as the Newcastle Subdivision. In 2014, a last minute agreement between the governments of Canada and New Brunswick saved this line from abandonment, but it has been allowed to deteriorate to the point that trains can run at a maximum of 30 miles per hour (48 km/h) for lengthy stretches of the line.

In more recent years, additional long-term slow orders along the line have added further delays, and have made it impossible for trains to reliably maintain time keeping on this already slow section of the line.

These slow speeds reduce the competitiveness of the train service, and reduce performance on a section of the line that provides important service to communities with few other travel options.

The slow speeds on this section of the line have increased the scheduled time and decreased the reliability of the train's timekeeping for end to end travel. Further, this section of the line includes many of the small communities that have few or no other transportation options, making it even more difficult for these residents. Improvements to the Newcastle Subdivision would be a simple and cost-effective way to significantly improve the quality and reliability of VIA Rail's service in the region.

### **1.3 PROVIDE VIA RAIL THE STABLE OPERATING FUNDING AND MANDATE REQUIRED TO RESTORE DAILY PASSENGER RAIL SERVICE IN ATLANTIC CANADA**

TAA is asking the federal government to provide both the stable funding and mandate that VIA requires to restore the *Ocean* to a daily schedule, making use of existing equipment that is currently slated for refurbishment, and additional equipment being freed up from the Quebec City – Windsor Corridor. This can be accomplished within the coming years, and should not be delayed until the new long distance fleet is procured and delivered.

VIA Rail's lone service in Atlantic Canada, the overnight *Ocean* service between Montreal and Halifax, had its service cut in half in 2012. This move was pitched as a way to save costs, but the opposite proved to be true; in the years since the reduction in service, the *Ocean* saw increased costs despite serving far fewer passengers, thanks to high fixed costs and inefficiencies brought on by the reduced frequency. This service reduction was clearly a mistake, and residents of Atlantic Canada have been deprived of transportation options in the process.

As noted in recommendation 1.1, a new long distance fleet is badly needed to allow for continued operation of the *Ocean* into the 2030s, and the opportunity exists to procure sufficient equipment for expanded services. However, this should not be used as an excuse to further delay any effort to improve and restore passenger rail service in the region. For meaningful passenger service in the Maritimes, especially in the context of a rapidly growing population, the *Ocean* must again become a daily train – on a faster schedule. And that needs to happen sooner rather than later, or there will be nothing left to save.

Despite reductions to its long distance fleet availability, VIA is slated to proceed with refurbishment to many cars in its heritage stainless steel fleet. Additionally, the continued introduction of new Siemens Venture equipment in the Quebec City-Windsor Corridor will free up some additional coaches that could be reallocated to long distance routes, providing an opportunity to explore new options like Business Class service for shorter segments. With the use of this equipment, along with the shorter train consists that would be required to cover passenger demands with more frequent departures, it should be possible to restore some form of daily service – provided VIA is provided with the stable operating funding and mandate to proceed with these initiatives.

## 2. NEWFOUNDLAND FERRY SERVICE

TAA is asking the federal government to honour its promise to address the “unreasonable” cost recovery requirements, and provide fair ferry pricing for the people of Newfoundland.

Canada has a constitutional obligation under the 1949 Terms of Union to provide a reliable and affordable ferry service between North Sydney and Port aux Basques, but the cost to users has surged rapidly upwards over the years at an alarming rate.

Under the previous Conservative government, Transport Canada imposed a cost recovery target of 65% on Marine Atlantic. This has remained unchanged under the current government – despite a campaign commitment by Justin Trudeau in 2015 that termed the existing cost recovery requirement as “unreasonable” and pledged to address it if elected. It’s a promise that has not been fulfilled.

Transport Action Atlantic believes the spirit of the Terms of Union that made Newfoundland and Labrador a part of Canada should be respected, and that Term 32 must be viewed in a modernized context. The ferry crossing of the Cabot Strait is part of the Trans Canada Highway, equivalent to 180 km on land, and should cost users no more than driving the equivalent distance by road. This is an obligation assumed by the Government of Canada in 1949, and remains as valid today as it did then – notwithstanding the passage of time and changes in transportation technology.

Ferry rates have not been increased for the past several years. This passive approach would require many years without rate increases to get the ferry charges consistent with the cost of 180 highway kilometres. It’s time for the federal government to follow through on their promises and provide fair pricing for the people of Newfoundland.

### **3. SUPPORT FOR INTERCITY BUS NETWORKS AND SMALL SCALE TRANSIT**

#### **3.1 PROVIDE FUNDING TO ESTABLISH AND SUPPORT INTERCITY BUS NETWORKS THROUGHOUT THE REGION**

TAA continues to ask the federal government to provide funding for intercity bus networks across the country, especially in areas where they do not currently exist. TAA is also calling on the government to support existing bus operators by treating intercity buses in a comparable way to urban and municipal transit, by removing GST from intercity bus fares and providing access to federal transit funding.

Further, TAA is calling for the provide and expand operational support for small-scale urban transit systems.

Intercity bus transportation provides a critical link between communities, allowing people to travel to access services, attend medical appointments, and visit family and friends. Intercity bus networks also provide opportunities for visitors and tourists to access communities without the need for a private vehicle. Buses move people in a more environmentally conscious way than private vehicles, and also provide the ability to provide parcel shipping services along the routes they serve.

Canada lacks a cohesive intercity bus network, and many areas of the country have no bus service whatsoever. In Atlantic Canada, companies like Maritime Bus provide service to many communities, yet other regions (like southwest Nova Scotia) lack any bus service at all. In Newfoundland there is only a single scheduled regional bus route remaining - the privatized successor to the Federally-supported Roadcruiser service which had been meant to replace the passenger rail service. It only runs daily, no longer receives any government support and its owner has repeatedly threatened to close the loss-making service. Residents and visitors across much of Atlantic Canada often have no choice but to drive, or make use of limited and expensive private car services.

There is a clear need for a federal program to support and encourage the establishment and expansion of intercity bus networks, whether in the form of line-haul services with larger vehicles, or in the form of smaller community-led programs. This is critical for providing mobility services, especially in areas where passenger rail does not exist.

There is currently a difference in tax treatment in fares between motorcoach services providing public transit over provincial highways versus municipal bus services, even when the services have similar



routes. This is not a logically consistent tax environment. Extending sales tax zero-rating to all bus fares would improve affordability, incentivize low-carbon mobility, help to ensure the economic viability of many marginal and at-risk bus routes operated by private sector carriers, and reduce the subsidy requirements of public-sector motorcoach operators. On the same note, federal funding allocated to transit projects is often not available to private intercity bus operators, despite the role they play in the absence of any public transportation alternatives. Unless the government intends to fund and operate intercity buses directly, these companies should be eligible for federal transit funding opportunities.

### **3.2 OPERATIONAL SUPPORT FOR SMALL-SCALE URBAN TRANSIT**

We welcome the promise of a permanent public transit fund to help transit agencies with their long term planning, but we echo CUTA/ACTU's call that such a fund be established sooner than in 2026 as currently planned. We also urge that the fund when established should offer operational funding where needed as well as funding for infrastructure.

Many smaller urban centres across Atlantic Canada have not been able to take advantage of the federal transit funding that has been offered. Existing agencies have not bought additional buses at the scale to enable significant improvements and smaller urban centres without any service struggle to establish them because they do not have sufficient municipal and provincial funding to afford to staff and run any buses purchased. The promise of reliable Federal operational co-funding is needed to bring in municipal and provincial support for necessary improvements in these under-served areas.



## 4. FREIGHT RAIL

### PROTECT THE FUTURE OF FREIGHT RAIL SERVICE IN CAPE BRETON

TAA is asking the federal government to cost share with the province of Nova Scotia and the private sector on the \$200 million required to restore the rail line across the island to operating condition. A further infrastructure investment in one or two small intermodal facilities at strategic locations would enable traffic to both Cape Breton and western Newfoundland to be transported by rail in a more environmentally sustainable manner, while substantially reducing the maintenance burden on highway infrastructure and enhancing road safety.

Nine years after the last freight train ran over the 96-mile section of the Sydney Subdivision, the Province of Nova Scotia continues to pay the current owners of the line, US-based Genesee and Wyoming Corporation and Canadian National (CN) in an agreement not to remove the track. CN acquired co-ownership of the Cape Breton and Central Nova Scotia Railway (CBNS) in November 2023. This indicates a renewed interest in at least the active portion of the line, and opens a renewed opportunity to take another look at the line across Cape Breton itself as a way to strengthen the rail network in Nova Scotia and the east coast.

Originally built at taxpayer expense, this rail line was a public asset for over 100 years, and when Crown-owned CN turned it over to the initial private operator in 1993, its then-CEO gave assurance in writing to the premier of Nova Scotia of continued rail service in the event the new arrangement didn't work out. The subsequent privatization of CN did not simply make that commitment go away. If it's no longer an obligation of the railway company, then the Government of Canada must accept responsibility for a commitment made by the Crown corporation's CEO on its behalf.

The traffic that previously moved on the railway has been forced to use an inadequate highway system, with serious environmental and safety implications, not to mention the maintenance burden placed on the Province as a result of damage to infrastructure caused by heavy transport trucks. The Nova Scotia government also faces growing pressure for extremely expensive highway twinning – at far greater cost than the modest investment required to place the rail line back in service.

Preserving the rail line could also allow the possibility of re-establishing passenger rail to Cape Breton at some point in the future. The Halifax-Sydney route operated by VIA Rail prior to 1990 was a well-patronized service and could be a part of a policy to expand passenger rail across the country. Such an initiative would be fundamentally limited to areas where tracks still exist.