



Legislative Assembly of Alberta

The 28th Legislature
First Session

Standing Committee
on
Alberta's Economic Future

High-speed Rail
Stakeholder Presentations

Wednesday, January 29, 2014
9 a.m.

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**Legislative Assembly of Alberta
The 28th Legislature
First Session**

Standing Committee on Alberta's Economic Future

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Standing Committee on Alberta's Economic Future

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9:00 a.m.

Wednesday, January 29, 2014

[Mr. Amery in the chair]

The Chair: Well, good morning, ladies and gentlemen. Can I ask you to take your seats, please? It is 9 a.m., and we must start. Thank you.

I would like to welcome all members, staff, and guests in attendance at today's meeting of the Standing Committee on Alberta's Economic Future. I would like to call this meeting to order and ask that members and those joining the table introduce themselves. I will start. I'm Moe Amery, MLA for Calgary-East and chair of this committee.

Mr. Quadri: Sohail Quadri, Edmonton-Mill Woods.

Ms Pastoor: Hi. Good morning. Bridget Pastoor, Lethbridge-East.

Mr. McDonald: Good morning. Everett McDonald, MLA, Grande Prairie-Smoky.

Ms Olesen: Good morning. Cathy Olesen, MLA, Sherwood Park.

Mr. Dorward: My name is David Dorward. I'm the MLA for the area of Edmonton-Gold Bar.

Mr. Kobly: Ken Kobly, president and CEO, Alberta Chambers of Commerce.

Mr. Creedon: Tim Creedon, executive director, Red Deer Chamber of Commerce.

Mr. Ferguson: Brad Ferguson, president and CEO of Edmonton Economic Development.

Mr. Graham: Bruce Graham, president and CEO of Calgary Economic Development.

Mr. Barnes: Drew Barnes, MLA, Cypress-Medicine Hat, substituting for Ian Donovan.

Mr. Stier: Pat Stier, MLA, Livingstone-Macleod, substituting for Rick Strankman, MLA for Drumheller-Stettler.

Mr. Rowe: Bruce Rowe, Olds-Didsbury-Three Hills MLA.

Ms Robert: Good morning. Nancy Robert, research officer.

Mrs. Sarich: Good morning and welcome. Janice Sarich, MLA, Edmonton-Decore.

Ms Dean: Shannon Dean, Senior Parliamentary Counsel and director of House services.

Ms Sorensen: Rhonda Sorensen, manager of corporate communication and broadcast services.

Dr. Massolin: Good morning. Philip Massolin, manager of research services.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Thank you, all. We also have Mr. Fox, Mr. Luan, and Mr. Hehr joining us via teleconference and also Dr. Siemiatycki joining us via video conference from Toronto. Mr. Luan, Mr. Hehr, and Mr. Fox, would you please introduce yourselves for the record?

Mr. Hehr: Good morning, everybody. My name is Kent Hehr, and I'm the MLA for Calgary-Buffalo. Thank you, all, for joining us here this morning to discuss this exciting topic.

The Chair: Great. Mr. Luan? Mr. Fox?

Ladies and gentlemen, before we begin, we have to address a few housekeeping items. Please don't touch the microphones. They are handled by the *Hansard* staff. Please keep your cell-phones, iPhones, BlackBerrys off the table as these may interfere with the audiofeed. The audio of committee proceedings is streamed live on the Internet and recorded by *Hansard*.

Now we will move on to item 2 on the agenda, the approval of the agenda. Would a member move adoption of the agenda, please?

Mr. Quadri: I move.

The Chair: Mr. Quadri moves that the agenda for the January 29, 2014, meeting of the Standing Committee on Alberta's Economic Future be adopted as circulated. All in favour? Any objections? Carried. Thank you very much.

The third item on the agenda is the approval of the meeting minutes. Are there any corrections, any discussions, any questions?

Would a member move the adoption of the minutes of the December 3 . . .

Mr. Fox: Rod Fox, MLA, Lacombe-Ponoka.

The Chair: Okay, Rod. Thanks.

Mr. McDonald moves that the minutes of the December 3, 2013, meeting of the Standing Committee on Alberta's Economic Future be adopted as circulated. All in favour? Any objections? Carried.

I need another motion to approve the minutes of the meeting for December 12, 2013. Would a member move?

Mrs. Sarich: So moved.

The Chair: Mrs. Sarich moves that the minutes of the December 12, 2013, meeting of the Standing Committee on Alberta's Economic Future be adopted as circulated. Thank you very much.

Today, ladies and gentlemen, the committee will be receiving presentations from a number of stakeholders on the potential for high-speed rail transit within Alberta. I am pleased to welcome our guests participating in panel 1, Financing, Costs, and Economics of High-Speed Rail. The committee will be hearing from Dr. Siemiatycki from the University of Toronto first via video conference as he may have to disconnect from the meeting early. Once he has completed his presentation and the committee has exhausted its questions for him, we will move into the second part of our panel 1 presentations.

With that, I will turn it over to Dr. Siemiatycki. Please go ahead, sir.

Matti Siemiatycki, Associate Professor, Department of Geography and Program in Planning, University of Toronto

Dr. Siemiatycki: Good morning. Can you hear me okay? Yeah. Okay.

Well, it's great to be with you to speak with you about this high-speed rail project. I want to commend you on undertaking this analysis of the project and thinking through the investment in future infrastructure for the future prosperity of your province.

I've put together a PowerPoint presentation, which, I understand, you've had distributed to you. Is that correct?

The Chair: Yes, we did, Doctor.

Dr. Siemiatycki: Okay. Perfect. What I'll do, then, is just take you through the presentation, not speaking directly to all the material. I wanted to just put together an outline of some of the documentation so you'd have that in front of you as I'm speaking.

You'll see on the second page – what I hope to do today, the purpose of my presentation, is to really give you an outside view of high-speed rail and try to draw some parallels of how the Alberta context, the Alberta corridor, compares with some of the international experiences and what you might expect in terms of outcomes, at least based on the international experience. This doesn't mean that everything is perfectly parallel but, certainly, can give you a sense of what has happened elsewhere, and hopefully this will help inform some of your future discussions about high-speed rail. This is a technique that's been used internationally and can be useful to put in context what we're seeing locally. I'm not an expert on your local context – actually, I know quite little specifically about your local context other than what I've read in the materials and the studies that have been done – but I'll work from this international context, and we'll see what experiences we might draw.

The main source for this outside view I've drawn on is a working paper that was produced by my colleague Germà Bel. He's a professor at Barcelona university, one of the leading academic experts on high-speed rail around the world, so I'll be drawing on material where he looked at the experiences in a number of countries in Europe and in Japan where they've built these types of projects to try to give us a sense of what's been done.

Now, if we turn our attention to the Alberta project, a first observation that I can make from afar, sitting here in Toronto – and I understand that's a far way away – is that when I look at the material that's been produced so far and I look at some of the media coverage as well, which I've done a quick scan of, it's not entirely clear what the objective of this high-speed rail line is. So at least to an outsider – and I'm sure many people have their own objectives – in many ways this looks like a project in search of a rationale.

When I do a media scan, I see a number of different objectives that are out there: one is economic development; a second is provincial cohesion; job creation seems very important; reduced road congestion on the route between Calgary and Edmonton; environmental benefits related to reduced emissions. There's also a political context. I would categorize these as, potentially, political legacy and also developing an image for the province around a modern transportation system, an environmentally friendly transportation system; investing in your province's infrastructure future; and creating a next generation of infrastructure. Those from afar are some of the motivations that seem to be coming through, but none of them are entirely explicitly set out as the specific rationales.

Now, when we look internationally, these same rationales are put forward elsewhere, so Alberta is not the only jurisdiction that's seeking these types of outcomes from high-speed rail. What we can do is try to look to the international context and cases to try to see what's happened when different jurisdictions have tried to achieve these outcomes. So I'll take you through some of the outcomes now.

In terms of motivations, the motivation that seems to be the most successful – I'm on page 5 now, and I'll just go through

these very quickly. I've tried to lay out the quotes directly from Professor Bel's report just to give you a specific source, and you can read through more of those in detail – I won't go through them exactly – just so that you can see where this information is coming from that I'm giving you. The international experience suggests that the most successful motivation is when you build high-speed rail to alleviate congestion, congestion on a very heavily used route, whether it's a highway or a route with heavy airport and plane traffic between them. Those seem to be the routes that are the most effective. Linking up jurisdictions for either regional economic growth or to improve social equity between regions hasn't seemed to be all that successful.

9:10

When we look to the Alberta context, what we see is that the vast majority of trips in your corridor are being carried out by road. There's much less on the air side and certainly on the bus side as well. What we see is that, at least from the reports that I could find, there doesn't seem to be an overwhelming congestion problem on this route in its entirety. The reports that I've found seem to suggest there's congestion in and around the urban centres that you pass through as you travel along this corridor, but for the majority of the route there doesn't seem to be that much congestion. A congestion problem in the entirety doesn't necessarily seem to be the issue, at least from the reports that I've read. People, I'm sure, will have their own local examples and experiences. As an outsider, the outside view is that there's not necessarily a congestion problem today on that route. It doesn't mean that there won't be in the future, but for today that doesn't necessarily seem to be a key issue at the moment.

Next we can look at provincial design and function of the corridor. What purpose is this system really achieving? What we find is that the most successful routes are built in the busiest and largest urban centres, connecting the most heavily populated centres and corridors. These are often built in regions that are very large, regions with 3 million, 5 million, 10 million people.

What we also see is that high-speed rail in Europe and Japan has worked best in cases where there's density in the cities and the cities themselves have very well developed public transport networks, so that people can feed into the high-speed rail line without necessarily using cars and also have options to get around once they arrive in their destination, so they don't need a car on either end. You can see that there's been some question about whether, in the American context, the American downtown cores, outside of a small number of them, are really going to support this.

When we shift and focus on Alberta, what we see is that Alberta is likely the smallest corridor in North America that's considering high-speed rail. I have the map of the United States there. All of those corridors have considerably larger populations, so the Calgary-Edmonton corridor would be the smallest one that's being considered. Also, Alberta cities tend to be fairly dispersed and relatively auto oriented. You have very high car ownership in your cities and in your province. Those point to really considering whether the urban forum and the provincial forum are supportive of successful high-speed rail, at least from the experiences that have been seen elsewhere.

Next we can shift to the economic costs. We know that high-speed rail comes with very high costs, and in order to offset those, you have to have ridership that matches those high costs in order to recoup some of your initial investment. What we see internationally is that the numbers for ridership tend to be pegged at between 8 million and 10 million riders per year as soon as the system opens, and that's for a line – the ideal length that research has found is about 315 miles. That would be the ideal length.

Now, in the Alberta context, yours, from everything I've read, is about 300 kilometres, 185 miles, so it's shorter.

If you look at the right-hand side, I have the ridership forecast that was produced for this study. You can see that the ridership numbers are considerably lower. At the low end, if you're only at 125 miles per hour, you're in the 1.3 million to 1.4 million range when this system opens. If you go all the way up to 300 miles per hour, you're in the 5.4 million range. Even after a number of years, when you get to 2051, the ridership is still below that threshold that this project would need to really be economically viable on a purely financial basis.

Achieving these ridership numbers, at the same time, is going to cost billions of dollars, and you have the studies to outline what those are. It seems to range anywhere from \$3 billion to \$20 billion and potentially even higher than that. Even to achieve those numbers, if we look within the North American context, I think is going to be difficult. If you look at Acela – that is the high-speed rail line in the northeast corridor, operated by Amtrak, that functions in the New York region – that line is carrying 3.4 million riders, and that's in a context that has a much higher population and much more dense and less auto-oriented urban forms within the cities that are being connected. So keep in mind that even to achieve the numbers that are being proposed should be considered challenging within the Alberta corridor that's being considered.

Also, if we look at the environmental impacts of high-speed rail, we often think of rail as a green technology, with high-speed rail whooshing along on its own tracks. It's worth noting that high-speed rail produces considerable emissions. High-speed rail is considerably less environmentally efficient than conventional rail. It produces fewer emissions than planes, but many studies are now showing that it's on par with cars and buses, depending on the load factors, and that was found in a study that I've cited here from Berkeley which suggests that it really depends on where the energy is coming from to fuel the trains.

You have to consider what your energy mix is in Alberta, whether it's coming from coal, whether it's coming from wind. That becomes quite significant. It's important to keep in mind that high-speed rail is energy intensive. To move the trains that quickly, even with electricity, takes a lot of energy, produces a lot of CO₂ and other emissions, and it's not a straightforward case that high-speed rail is necessarily a winner on that. It really depends on what you're shifting the modes from. In this case, a lot of the travel is going to come from cars – that's what the projections suggest, at least – not so much from air. Your air travel in this corridor is relatively small, around 10 per cent. So you might be actually taking travel away from a mode that, at least depending on the loads of the cars, might not be all that much more polluting.

Finally, I want to talk about economic and regional impacts. When we look at high-speed rail, what we tend to find is that it moves around development rather than producing new development, and Professor Bel's paper on this topic seems to suggest that as well. It also concentrates in the places that are connected, and you can see that in the economic forecast numbers. The big winners in this project are going to be Calgary and Edmonton, as one might expect. This will concentrate growth in those areas but may leave others behind who are not being connected, so it's worth considering who's going to be impacted.

Just briefly on tourism, because tourism, I know, is an important industry in your province, high-speed rail does tend to attract more tourists if people can get to places faster, but importantly it also reduces the number of overnight stays, and overnight stays are really important for people in the tourism industry. It has people

from abroad spending more money. You might get more tourists, but you might also have them staying shorter periods and potentially spending less. That's also worth considering as well.

What I want to do very briefly is just address some of the commonly raised issues that I saw when I was doing a media scan online and just try to respond to some of the comments that are being made, some of the key points that have been raised through the public discourse to perhaps provide an outsider's view on some of those as well. I'll just go through them very briefly. I'm now on page 10.

The first point is that the federal government will contribute some of the capital costs of this project. We know it's expensive, but the federal government will pay some, so the burden will be lessened on Alberta. I would argue that even if that is the case and it's likely you might be able to raise some money from the federal government, this is still going to require a major investment from the government of Alberta. The federal government typically puts in between a third and up to a half. The numbers are very large. Alberta is going to be spending a significant amount of money on the capital, and the federal government doesn't fund operating costs. This project is most likely going to require substantial operating subsidies over an extended period of time, and those are going to have to come from somewhere, likely the provincial government.

The second point is that we should be able to tap private finance, that private finance should pay for this, that the Alberta government shouldn't pay: we want to build this project, but we can pay for it with private money. Because of all the reasons that I suggested, this project doesn't look like it's going to be a money-maker, and for that reason the private sector is not going to come forward with new money.

9:20

They might finance some of the upfront costs of this project, but the majority of the money for this project is going to be paid for by one level of government or another, most likely the provincial government. That's both on the capital costs, which are extremely large and have been subsidized elsewhere, but also on the operating costs, and on this point it's worth keeping in mind that in the whole world there are only two high-speed rail lines that are making money, one in Japan and one in France. The rest of them are all being subsidized. So this project, if it follows the patterns of everywhere else in the world, is going to need substantial money coming from government in order to make it work, and for that reason it's worth while to really keep in mind whether this is going to deliver the best economic benefit and the best social benefit for your investment in infrastructure.

Another point, the third one, is that costs are high, but the forecasted benefits look good. I think it's safe to say that forecasts around rail, forecasts around any infrastructure projects are typically wildly inaccurate and vary highly from what's projected, almost always going up. We're overoptimistic on the costs – costs tend to escalate – and we seem to overestimate the benefits of these projects, especially around ridership. That's been found in a number of studies, including in Professor Bel's study. Also, Professor Bent Flyvbjerg at Oxford University has done a lot of empirical research around this, showing this relationship. So even though the forecasts look good and you look at this and say, "Yeah, the numbers, actually, on paper look pretty good; maybe this is a bankable project; maybe this is something that we should proceed with," keep in mind that the forecasts are likely to change, and if past experience is any indication of the future, the costs are likely to go up, and the ridership forecasts are likely to be overestimated.

Finally, there were a number of people making the argument that it doesn't have to be either/or, that we can invest in high-speed rail and invest in other infrastructure across the province. I would argue that it's really important that there is an opportunity cost to spending money, public money especially. This project is going to require substantial amounts of public money, and with that in mind it's important to spend that money as wisely as possible. The risk of spending money on projects that don't deliver benefits is both that you've missed an opportunity but also that I think the public can lose confidence that their decision-makers can invest public money in projects that really deliver the greatest benefits when they see projects that ultimately open and don't meet the expectations and the promises that are being made for them.

These are sort of an outsider's view on some of the comments that I've seen in the media and in the public discourse around this project.

Just to conclude very briefly, based on the outsider's view, mine, and seen through the lens of international projects and international high-speed rail experience, I don't think that at this time for the Edmonton-Calgary corridor it makes sense to invest in high-speed rail. I say specifically: at this time. Conditions may change in the future, but at this time I think the passenger volumes and likely benefits don't seem to outweigh the very high costs, both the operating and the capital costs, which, because this project is likely not to be profitable, are going to require substantial public subsidies.

I think there are better infrastructure investments that you can make in your province that will deliver a better public benefit, and in that sense, again looking to the media, my suggestion is for your urban transit networks and your urban transportation networks. Investing heavily in those could really provide you a much stronger benefit, both in the short term and in the longer term, around congestion and around some of the social benefits, economic benefits that come from really important public investments in infrastructure.

I'll leave it at that and look forward to taking your questions on this topic. Thanks.

The Chair: Well, thank you very much, Dr. Siemiatycki.

I will open the floor up for questions. Please keep in mind that we will conclude this segment by 10 a.m.

Members, if you have any questions, please give me a signal, and I will add your name to the speaking list.

Mr. Hehr: Mr. Chair, add me.

The Chair: Go ahead, Mr. Dorward.

Mr. Dorward: Thank you. Thanks so much for your presentation. It was enlightening and great. Could you make any comments on the year 2041 or some other year like that? I'm thinking in terms of the ability that we potentially have now to look forward 30 or 40 years. I'm thinking of the corridor situation, maybe some bed preparation, things that we can do or that somebody could do to invest in those years, out 40 years, and not be short-sighted relative to putting this away in the year 2014 and saying: well, it didn't make sense. It may make sense to do some kind of a very methodical process to be able to set up things so that when Alberta is ready for this, it is there. Do you have any comments on that at all?

Dr. Siemiatycki: I think we always have to keep our eye on the future, and certainly the future is likely not going to be the exact

same as the past. We're seeing gasoline prices going up, we're seeing a younger generation that's more interested in taking different modes of transportation, and in your province especially you're seeing very rapid growth. I think those are all important points. It's worth keeping in mind that this corridor really is much smaller than most of the corridors that have successfully built high-speed rail, so you would need a really significant transformation in that corridor in order to make this project likely financially viable into the future.

That's not to say – and I tried to stress this point at the end. It's not viable at this time, but if there are certain ways of making arrangements that look to the future for this project, certainly around the existing rail corridor – I think that if you have to buy new land for this project and create a whole new corridor, that's going to be prohibitively expensive. If there are opportunities to work with the existing corridor, to work with its existing owners, that might be one option that starts to make sense, but really I would probably focus much more of my efforts around your urban transportation. That's where you have your large populations. That's where you have a congestion problem now. That's what the reports that I read, at least from here, said, that you're having traffic and congestion problems in your urban areas. In terms of opportunity costs, both in money and effort and staff resources and time, really focusing on those bottlenecks and trying to get public transit in place, trying to work to over time see land-use change, which is happening in your province already, and to work to foster that I think is probably a better use of time and money.

Mr. Dorward: Thanks very much.

The Chair: Thank you.

Mr. Hehr: Well, thank you very much for this very informative presentation. I, too, agree that if it comes to investing public dollars into a project, you're better off putting it into urban transportation systems like Calgary and Edmonton, busing and LRT, rather than high-speed rail.

Nevertheless, just a couple of questions. One, in places where high-speed rail has been used, has it led to a lessening of people driving cars and urban sprawl and the like and those things that we consider Alberta needs to go into?

Secondly, can this project be done without any government subsidies? There are groups in Alberta who believe that it can be done. Is this feasible? Are they delusional? Any comments on that?

Dr. Siemiatycki: Okay. To your first question, around lessening urban sprawl, what the international experience has shown – and it's in Professor Bel's paper – is that high-speed rail tends to take its ridership primarily from air travel in the successful corridors. Those are corridors that were very busy but also very busy with air travel. It tends to take its share from air travel, and people continue, generally, to drive. In the cases that he looks at in this paper, it seemed like there was an 8 per cent reduction in car travel and a much more significant reduction in plane travel.

Now, in your case, the interesting thing is that most of the people are driving, and air travel in that corridor has a very small share already. Because of the cost of the tickets for this project, even once it's operational for the user, because of the cost of that trip, because the distance isn't that far and the time saving, especially at the lower end of the train speed estimates, is not that much of a difference, I don't think this is going to make a huge difference on car travel within the corridor and will have very little impact within your cities themselves.

9:30

To get a difference in congestion in your cities, to minimize urban sprawl: this isn't the project that's going to do that. That requires investments in your urban transit networks: commuter rail lines, bus lines, rapid transit, LRT, those types of things, and land-use policies to go along with those. That's going to be what works to address your urban transit and sprawl-related issues.

Now, with respect to whether this project can make money and be done entirely privately, my sense is that the international experience speaks for itself. You have two lines in the whole world that are making money. One is in Japan – I think it's between Tokyo and Osaka – and the second one is between Paris and Lyon. These are much larger urban regions, and the high-speed rail line is going over a much larger area. There's one other one that at least breaks even. Every other high-speed rail line in the world is being subsidized by someone, and that is going to end up being government in our system. The federal government might give you money for capital costs, but it's very unlikely. They don't do operating subsidies, so it's the provincial governments that are responsible for infrastructure operations in transportation. It'll be your government that will most likely be subsidizing this project.

Mr. Hehr: Thank you very much.

The Chair: Thank you, Mr. Hehr.

Mr. Stier.

Mr. Stier: Yes. Good morning, and thank you for that presentation, sir. That was excellent. I just wanted to drill down a little bit if I could.

In a lot of the material that you've studied and that we've seen, there's a lot of talk about private venture financing. I'm going to have to throw out a bit of a hypothetical, and I apologize for that. Nonetheless, given that there are some proponents, individuals or corporations, that are indicating that they may wish to fund this, I was just wondering if there have been other such proposals that you may have noticed in the world or in the U.S. or wherever where they were substantially funded by private entities or corporate entities. If that is the case, did you notice, therefore, beyond what those investors had put together in terms of financing, what the government eventually was on the hook for despite those types of investment proposals?

Dr. Siemiatycki: Okay. The place where I've seen this most is actually in the roads sector. My general comment is: beware of the unsolicited bid. Oftentimes companies and individuals and think tanks and all sorts of groups are coming forward with proposals that may ultimately have certain strings attached and lead to a requirement for public investment.

The one I'm most familiar with was a project in California, state route 91. It was an unsolicited proposal to put highway lanes beside an existing freeway that was over capacity. The government took the proposal. The project got built, but it required a noncompetition clause in the contract that said that the government could never expand that corridor because the private-sector operator had paid all of this money upfront to build the lanes, and they didn't want additional competition. The government went to court a number of times to try to abrogate that contract so they could expand the lanes, and they ultimately weren't successful and had to buy out this private-sector investor in order to make the upgrades to the system that the policy-makers saw fit. I'm not saying that that's necessarily going to happen in this case.

One thing I should be clear about is that it seems like there is really a wide range of definitions of what high-speed rail is in your context, ranging from 125-mile-an-hour trains working in a mixed network on the CN corridor all the way up to a 300-mile-an-hour maglev train. That's a huge difference in terms of the benefit to users, the cost of building it, the cost that the ticket is likely to be.

The experience internationally suggests that this project will not function strictly as a business venture. That's the international experience. There may be philanthropists in Alberta, there may be venture capitalists, there may be train companies who want to do a trial, but my suggestion, really, is to beware of those trials and, as they come forward, really scrutinize what is being proposed and what the trade-offs and what the potential risks for government down the road are as you consider them.

Mr. Stier: Okay. Thank you very much.

The Chair: Thank you, Mr. Stier.

Mrs. Sarich.

Mrs. Sarich: Thank you. Thank you very much for your presentation this morning. Alberta on average has an influx, a population growth, of approximately 120,000 new people coming into the province every year. We are economically leading in Canada. With this growth that we're experiencing at this time and predicting and forecasting into the future, is there any value to taking on a preliminary value-for-money analysis as we look to the future? I think one of your points also treaded in the area of land acquisition as very important. If we look to the future, if we look to the land, potentially eventually perhaps in the future in this corridor there might be an economic benefit for a high-speed rail. Any thoughts on those two particular areas?

Dr. Siemiatycki: Yeah. In terms of the growth rate and economic growth, those are definitely happening. My comment on that is that the corridor itself, from what I've read, has about 2 million people, a little bit over when you include Red Deer in that as well. That's well below the other corridors that have successfully built high-speed rail and, certainly, well below the corridors in the United States that are even considering high-speed rail. In order to get to the size of the corridors that are even being considered for high-speed rail, you'll need that growth rate for a pretty long period of time. We're looking out decades. High-speed rail, as I mentioned, really functions best in places that have both dense urban areas and very large populations. That type of transformation takes a long time to take place.

My suggestion, then, in terms of future preparations: it seems like on the one hand it never hurts to keep an eye on properties that might come up along a potential route in the future, but at the same time in some ways I feel like that might be a distraction from both time and resources and also money investing in the urban areas of your province, the big cities that really are experiencing the growth and are struggling to keep pace with investments in infrastructure, and also encouraging the land-use policy that helps to make the region more compact, make it more transit oriented, make it more walkable. That then will support high-speed rail well into the future.

The high-speed rail link strikes me as something that is secondary. To spend a lot of money or time on a corridor that may or may not take place for many years, likely decades, until it's viable in the future, to me seems secondary to other investments that would probably have a higher priority and benefit. We're talking here about investments in Alberta's future, and I think that's really important. When we're talking about that, we want to

make sure that the public money that's spent gets the best return and really delivers that benefit, and I think that would probably be best placed in your cities.

Mrs. Sarich: Thank you very much for your comments. Just as a point of interest, the province is working very strongly with municipalities like Calgary and Edmonton to address their LRT and some of their other issues. I appreciate your comments about improvements in densification in those large urban areas rather than sprawl, because sprawl comes at a big cost.

Thank you.

The Chair: Any other questions?

Ms Pastoor: Thank you very much, Professor. That was interesting. I'm just wondering if – and I'm thinking of Fort McMurray. It has a huge, huge transient population that drives down a very dangerous road. I'm wondering if anything has been looked at, those kinds of numbers, if that particular area would benefit from a better transportation system in terms of just plain safety for the people that use it all the time. There are huge, huge numbers that fly in in big airplanes. I don't know if you've had a chance to look at those sorts of numbers. Clearly, I may be a bit of a rebel here, but I for one am not totally tied to Calgary-Edmonton. I think that Fort McMurray-Edmonton may also have an opportunity for at least a discussion.

9:40

Dr. Siemiatycki: The issues around safety on those roads should really be your number one priority, and there are investments and ways that you can make those roads more safe to ensure that the people who are using them, as you say, going between the different urban areas, are safer. I think that is really important, and I would see that as a priority.

Ms Pastoor: It's also the time factor to drive down that road. It's a five-hour drive.

Dr. Siemiatycki: I would suggest that the population – I'm an outsider to this process and to the sort of provincial dynamics. Examining, really, the core of that was what we were looking at today. But my suggestion is that in Fort McMurray the population is far too small for high-speed rail. I mean, these are projects that cost tens of billions of dollars to build over a distance that could be hundreds of kilometres. My suggestion is that there are probably other ways to address both the congestion on that road and, more importantly, the safety issues, keeping in mind that high-speed rail has a very good safety record, but its environmental record is not outstanding. It produces a lot of emissions. To deliver high-speed rail to Fort McMurray: I can't see that being a financially viable project.

Ms Pastoor: But it still might be a good one, right? It's okay. You don't have to answer that. That was rhetorical.

Dr. Siemiatycki: Okay.

The Chair: Any other questions? Mr. Rowe.

Mr. Rowe: Thank you, chair, and thank you for the presentation. It's very enlightening. I have three issues that I would like to just bring up, and you may or may not be able to expand on them from your presentation.

The first is that I'm concerned about the impact on existing services, that being both air and bus service. As you may know, we have a bus service in the province called Red Arrow that goes

all the way from Lethbridge to Fort Mac, actually. If that ridership were to decrease to the point where it wouldn't be viable between Calgary and Edmonton, I fear we'd lose those services between Lethbridge and Calgary, and Calgary and Fort McMurray. I don't know if you want to expand on that or not, but I just want to get it on the record.

Another point is that the existing corridor has been mentioned for track space. I don't see that as being viable. The constituency that I represent is central Alberta, Olds-Didsbury-Three Hills, and this system would run right smack through the middle of it. The existing corridor goes through several small villages and towns and so on. They're not going to like a 200-kilometre-an-hour train going through their small communities, so I don't see that as being viable. You may want to comment on that.

The other thing is that a flat, on-the-ground rail system would have a huge economic impact on farming operations on the whole route. As we know, farms are getting bigger. The equipment is supersized now, and a lot of this stuff has to cross that corridor. Without the ability to do that in an easy manner, it would have a huge economic impact on them.

Just those three points if you care to comment on any of them. Thank you.

Dr. Siemiatycki: Sure. The first point on the bus service: high-speed rail will have an impact on the bus service, but it might have a varied impact. One thing to keep in mind is that the ticket prices on this route are going to be likely comparable to air, maybe a little bit less. But this is a premium service. When you're spending billions of dollars to deliver infrastructure, this is going to be closer to an airline ticket than it is to a transit pass in order to travel on this. This is not going to be the type of thing that you're using to get back and forth on a daily basis, at least if past experience is the case in terms of the cost. It's worth keeping in mind, then, how this will compete with buses. It's most likely that buses serve a slightly different market, a lower cost market. But if you take any passengers away from the buses, which in much of the country are already on precarious footing, that could be something that's seen as a challenge.

Now, your other two points relate to the impacts of this high-speed rail line as it goes through those communities, and those have been significant concerns in other jurisdictions. You'll know that Britain now is considering a high-speed rail line, and one of the key impediments is the impact that this will have on the farms and estates that it's going to pass through along the way and whether the livelihoods of those folks are going to be too adversely impacted.

Remember, all infrastructure projects have both benefits and costs. I would absolutely put those issues on the cost side of this, and you'd have to evaluate whether the benefits outweigh those issues. I've already mentioned that from the international experience the cost of this project to me looks like it far exceeds the benefits, and I would add that issue onto the costs. If you do decide to proceed with this project, finding ways to mitigate those issues is going to be another issue to address, and that will add additional costs to the project, so that would go on the cost side of the equation as well.

Mr. Rowe: Thank you.

Just to sum up, in your opinion this is not viable. That's the message that I'm getting.

Dr. Siemiatycki: It's my opinion, seen through an outsider's lens of the international experience with high-speed rail and where it's been successful and where it hasn't. This project to me doesn't

seem viable when you offset the ridership levels with what the expected construction costs are.

Mr. Rowe: Thank you.

The Chair: Thank you, Mr. Rowe.
Mr. McDonald.

Mr. McDonald: Thank you very much. A very interesting discussion. Just for interest's sake, would you suggest that we probably would have better dollars spent in beefing up our HOV lane system and promoting carpooling and trying to reduce some of the impact on the rest of the road network?

Dr. Siemiatycki: Yes. I think that those are the types of investments that – when I look at the studies and I see the types of challenges, especially on your road network, it's really an urban challenge. I've quoted it in my presentation. The report says that you end up hitting congestion when you get to the urban areas, when you go through the urban areas. So with that, the travel time between these two – ironically, addressing your urban issue will actually also contribute to making this corridor better to travel. It might be the case that targeted investments, whether it's in HOV lanes, whether it's in a new bypass around Red Deer – it seemed like from the report that you move into local traffic when you go through Red Deer. An investment that builds a bypass around Red Deer might speed up the car journey already, and that might be an investment that has real social benefit to both Red Deer and the people who are travelling through there.

High-occupancy vehicle lanes is another approach that has been used elsewhere that can be very successful in some cases. We're seeing around the world high-occupancy toll lanes. HOT lanes is another topic that we're now seeing has delivered benefits, where if there's a certain number of people in the car, they drive for free. If you want to be in the lanes, you can pay a toll to be in the lane if you are a single occupant. Those have also in some cases helped speed up travel times as well. Public transit in your urban areas is also critical, and I would really stress tying that with the land-use patterns and trying to shift those.

These things change slowly over time, but I think the point I'm trying to make is that there is an opportunity cost. There's a trade-off to public money spent on one project that can't be spent elsewhere. I think it comes back in some ways to where I started my presentation, which is: what's the problem you're trying to solve here? I gave a list of challenges that I read both in the public discourse and the reports that are out there. But once you really identify what we are building this high-speed rail line for, then you can pinpoint whether high-speed rail is actually the solution or whether there's a whole bunch of other fixes that may be at a lower cost but that actually might give you the real benefit that you're looking for, whether it's solving congestion, whether it's an image of prosperity and building for the future, or political legacy for that matter, too. There might be all sorts of different types of projects that both achieve those objectives and really deliver the benefits on the ground when those projects are built and paid for.

Mr. McDonald: Thank you.

9:50

The Chair: Any other questions for Dr. Siemiatycki?

Mr. Luan: Mr. Chair, if I could have a chance, I'd appreciate that.

The Chair: Yes. Go ahead, please.

Mr. Luan: Thank you very much. Professor, I really appreciate you bringing an outside voice. I appreciate some of the expertise that you have. My question is very specific. I like your challenge to all of us, to say: what is the motive for building this? Part of my thinking is that building infrastructure is the leveraging force for economic boom. What I'm thinking is that when China decided to do the Shanghai high-speed rail, it was purely on the basis of laying a foundation to stimulate the economy and then get returns back later. I clearly see that from sort of a casual knowledge versus expert studies, evidence based, those kinds of parts.

My question to you is: if we were going to focus on an economic lever, given the boom that Alberta is going through, leading the nation in economic developments, what is your professional observation and recommendation in terms of putting in the money now and anticipating that generating twice, three times, or four times the return down the road? So similar to what I've seen happen in mainland China. That's my question. What is your experience and expertise in that way?

Dr. Siemiatycki: Okay. Infrastructure is clearly a springboard for prosperity, and it's really nice to hear how Alberta is looking to use your wealth and the money that you have coming in to try to build infrastructure that will deliver generations of benefit into the future. I think that really is an important point and one that you should take advantage of. It's a really fortunate position to be in, where you have money coming in that you can then invest in infrastructure and invest in a project that will deliver future benefits. So that's the big picture.

When we get into the specifics, then the question is: what investment is going to deliver the best benefit? What projects are actually going to deliver on the promises that you've set out? In this case you've structured around economic growth. What are the projects that are actually going to deliver that growth and prosperity into the future?

When we look at China, my sense is that the government decided that high-speed rail was important, and they decided to pay for it entirely. Again, it speaks to this point around what role the public sector is going to play. Alberta is a province that, as you mentioned, has great wealth. I'm sure that if you wanted to pay for this project, you might be able to, although we're hearing things about deficit budgets as well. But the point is: is this really the place where you want to spend that kind of money?

In terms of high-speed rail actually delivering those benefits, the papers and the academic work seem to be very mixed on whether high-speed rail actually delivers those benefits. I shouldn't say mixed. The research seems to be pessimistic on the role of high-speed rail. It suggests that high-speed rail shifts around where growth takes place, but it doesn't necessarily attract new growth. So from the experiences internationally that are presented in Professor Bel's paper, he suggests that firms don't relocate to an area because it has high-speed rail. New businesses don't necessarily start because you have high-speed rail. In the tourism industry, which I know is important, you end up with more trips but potentially shorter trips, and that could cut both ways in terms of the impact it has, depending on how you market yourself.

The important thing, then, when we look at high-speed rail is to really – there's an imagery and a symbolism to building these types of big projects. There's an imagery and a symbolism to building all big projects. I think what's important is to really peer behind that, get behind the rhetoric that relates to these projects and really try to get a sense of: is this really going to happen? The international experience, again, suggests that if you're looking to get economic prosperity and growth, there are better ways to

invest your money. Different types of infrastructure will deliver that benefit far quicker, far more effectively, and far cheaper than investing in high-speed rail.

Mr. Luan: Thank you very much.

The Chair: Thank you, Mr. Luan. Any other questions?

Mr. Luan: No, I'm good. Thanks, Mr. Chair.

The Chair: Good.

Any other questions from the committee members?

Well, if not, Dr. Siemiatycki, I would like to thank you for being with us this morning. Thank you for your informative presentation and taking time out of your busy schedule to make this presentation to the committee.

I'd like to remind you that you can access the *Hansard* transcript of the full day's proceedings via the Legislative Assembly of Alberta website later this week. The audio of the meeting is also available on the Assembly site.

Thank you, sir. Have a good day.

Dr. Siemiatycki: Thank you. You, too.

The Chair: Now, before we move to the next segment of our presentation, I'd like to welcome Mr. Wayne Cao, MLA Calgary-Fort . . .

Mr. Cao: Apologies. The weather delayed my travel.

The Chair: . . . and Mr. David Xiao, MLA for Calgary – Edmonton-McClung. I'm always thinking of Calgary, you know.

Ladies and gentlemen, now I'd like to welcome our next group of presenters from panel 1. You'll each have 10 minutes for your respective presentations, and then I will again open the floor to discussions from the committee. We will start with Mr. Ferguson from the Edmonton Economic Development Corporation and following the order on our agenda, Mr. Creedon from the Red Deer Chamber of Commerce, Mr. Graham from Calgary Economic Development, and Mr. Kobly from the Alberta Chambers of Commerce.

Mr. Ferguson, the floor is yours.

Edmonton Economic Development Corporation, Red Deer Chamber of Commerce, Calgary Economic Development, Alberta Chambers of Commerce

Mr. Ferguson: Thank you very much, and thank you for the opportunity to present today. For those from around the province, welcome to Edmonton. I have the opportunity to talk about the feasibility of establishing a high-speed rail link between Edmonton and Calgary, and I'd first like to start by thanking Dr. Siemiatycki for what was a very good and rational presentation on the topic.

The government of Alberta is at this time, as you know, asking for our input not only on this topic but on an integrated, long-term, innovative, world-class transportation strategy. A few weeks ago the Minister of Transportation's, the hon. Wayne Drysdale's, words were: "This isn't about local projects or one-off decisions. Alberta is taking a forward-thinking approach in developing a strategy that will help secure Alberta's economic and environmental future over the next 50 years." In Edmonton we're excited about the words that we hear being used, words like integrated, long-term, innovative, and forward-thinking. But when it comes to high-speed rail, we need to ensure that we are thinking big, broad,

and bold, and we need to confirm that this is truly a transformational project, not just a rail link.

If we do this right, this is an amazing, unprecedented opportunity to connect communities, businesses, products, and people across the province. If we do this wrong, we have created a wonderful high-speed corridor between two inefficient and uncompetitive cities. We have the opportunity to harness the innovation of this province when building not just one line between two points but an integrated, technologically advanced, intermodal system of transportation that truly serves Albertans and the Alberta economy. It is an incredible opportunity to weave the disparate modes of transportation throughout the province together into one seamless system. That's innovation, that's competitiveness, and that will echo for generations.

If we get too excited about a big idea, a photo opportunity around the Edmonton and Calgary corridor, we fail to realize the value that can come from embracing four principles, and I'm going to talk about these four principles. The first is a networked approach to high-speed rail, which is really investing in urban transit infrastructure first. The second is a staged approach to connecting those networks across the province. The third is some regulatory policies. The fourth is a shift to, really, a knowledge-based economy or next generation technology. To take any one of those out of the mix is to turn the project into a detriment to the transportation network in Alberta or, worse, to pit communities and components of the system against each other. If it becomes a symbol of competition rather than collaboration, it will not achieve the political support or the economic value.

10:00

The first is around the networked approach. When we talk about a networked approach, we are saying that it's not enough to simply connect Edmonton's downtown to Calgary's downtown, which neglects land value capture, limits demand, isolates regional communities, and it presents no opportunity for value-add there. There must be a comprehensive LRT network in place at each node that connects passengers to their destinations and spreads value out among communities and along the route.

For Edmonton, we remain steadfast that LRT is our priority in the immediate horizon, and as investment in LRT links public transportation, cars, pedestrians, cyclists, air traffic, rail traffic, and our surrounding communities to a high-speed network, this builds smart mobility hubs that will grow together across the province, serve the Edmonton region well, and serve the Alberta economy well.

The next phase is a staged approach. When we talk about a staged approach to connect networks, we're talking about connecting robust intermodal transportation hubs. The Edmonton-Calgary connection has limited value in the immediate time frame but will exponentially have more value as we look at the time horizons in decades.

Contrary to popular belief, this province is much more than an Edmonton-Calgary corridor. Yes, Edmonton is uniquely situated as an epicentre for the industrial supply chain, but this province is economically comprised of the Edmonton-Calgary corridor, the Edmonton-Fort McMurray corridor, the Edmonton-Cold Lake corridor, the Edmonton-Grande Prairie corridor, and that's really just the northern part. I can explain the same in the southern half. We need to think beyond just simply connecting the two points on the map. We feel strongly impressed that taking a staged approach to linking those economic networks, once we have our urban centres complete with LRT, is the right approach.

Over the next 20 years we're anticipating \$2.1 trillion of economic contribution from northern Alberta. That's \$378 billion

in taxes for the country and about just under a million new jobs in Alberta. It's a critical time to look ahead and prepare for the future, absolutely, but we cannot afford to make decisions that set us back and simply put rail in place that does not facilitate demand.

Both of these two caveats that I've talked about, the networked and the staged approaches, will benefit our regional approach to growth, which we're all striving to work towards, first. As a strategic long-term investment that links regional intermodal transportation systems, we enable a larger economic footprint, and that's good for all of us.

The third area is around policy changes. As you know and we know, the high-speed rail idea has been kicking around for some time. Unfortunately, we hear that we're continuing to look at 19th-century solutions for our transportation challenge when we have 21st-century technology within our reach. It would be a grave mistake not to use policy as an organizing mechanism for enhanced investment and diversification. By using this project to stimulate the adoption of new technologies, new supply chains, next generation transportation clusters, we can leapfrog competitive nations as opposed to simply catching up.

The last piece is around the knowledge economy, which is really around next generation technology. Other places in the world are employing exciting but traditional technology. If Alberta is to do something transformative, we need to jump to the next curve as opposed to the curve that everyone else is already on, and that is where shifting to a knowledge-based economy comes in and really gets enhanced. We have the opportunity to invest billions of dollars into a transportation system, or we can have the opportunity to invest billions of dollars into a transportation system that is also exportable to other jurisdictions and that inspires a whole new generation of entrepreneurs. Which would you prefer?

Edmonton and Calgary are already hotbeds of entrepreneurship and innovation and centres of postsecondary excellence in research and applied technology, and we're not necessarily looking closely at harnessing and expanding that power in what we've read to date. The infrastructure investment for an integrated transportation system like the one we have proposed will take advantage of local expertise but also draw in talent from around the world, from engineering to design to manufacturing. This is exciting and an enticing challenge with real-world applications and the potential to be transformative in the way the entire province works together for not only the speed of goods and business but also for ideas.

In conclusion and in consultation with some of our major partners – the Edmonton International Airport, the mayor's office, and Edmonton city council – Edmonton Economic Development believes that high-speed rail has a future in Alberta but is only a component of a long-term plan that respects the need for prioritization of investments, prioritization around building the urban core first and then linking the urban cores, having the policy changes, and making sure we're operating on next generation technology, not last generation technology. Only with the commitment to seeing these four elements will high-speed rail be of optimal benefit to the province.

We certainly appreciate the opportunity to come here today, and we'd be happy to answer any questions. I look forward to hearing from my fellow panelists.

Thank you very much.

The Chair: Thank you, sir.

Now we will hear from Mr. Credon.

Mr. Credon: Good morning, and thank you for the opportunity to talk to you today. In looking at Red Deer, I'm going to restrict my remarks, rather than discussing what has been discussed earlier on today, the viability of building this system, to actually looking at: what would the immediate impact be on a city like Red Deer?

Let's look at the demographics for Red Deer. We've got a predominantly trades-based economy in Red Deer. We have a lower proportion of people with university degrees than Edmonton and Calgary. We have a higher proportion of skilled workers. We have a lower proportion of people working in finance, business services, and what you might term head-office operations than in Edmonton and Calgary. We have a fairly high median family income, and we have a very fast-growing population. For a number of years in the past we've been the fastest growing city in the province. Overall, it's a fast-growing, wealthy, and predominantly trades-based city.

The KPMG 2010 Competitive Alternatives report rated Red Deer's business operating costs as amongst the most competitive in the world. We have a well-balanced economic base, and we have a strong base in agriculture. The largest private-sector employer in Red Deer is the Olymel pork processing plant.

As you're all aware, we have a very strong energy sector, predominantly based around the service sector into the oil and gas industry. Petrochemicals are very strong in the Red Deer area, including Dow, BP petroleum, Agrium, Praxair, NOVA Chemicals.

We also have a very strong manufacturing sector, which is predominantly pointed towards the oil and gas industry. We have 60 trucking companies in Red Deer alone, and we have a very strong retail, wholesale, and accommodation sector as well, so perhaps our greatest strength is in our industrial sector and the high number of skilled workers that we actually have in the city.

We have been looking and working in Red Deer at increasing foreign direct investment over the last few years. Our investment attraction operation, Central Alberta: Access Prosperity, has had some considerable success marketing our city. We would like to address the issue of a lower proportion of head-office and management populations in the city as removing one of the barriers to growth, and we'd also like to look at building on the strengths of Red Deer College and its innovation sector as we go forward.

What would happen if we introduced high-speed rail? Well, we believe that what would be created here in Alberta is a superregion – Edmonton, Red Deer, Calgary, closely linked – with very strong transport and very quick transport between the different sectors. We could potentially be linking, if we think east to west, and feeding into a high-speed rail system approximately 2 million to 2 and a half million people. It would mean for us access to a much larger labour pool, a more efficient use and allocation of that labour pool, and a much larger market for business.

We believe that a fast high-speed rail introduction would utilize the concept of economic mass, where the ease of mobility is directly related to the average output of employees. If it's easier and quicker to do business, you're more likely to increase your level of economic activity.

The introduction of a high-speed rail is a major platform in economic development. We've had some discussion this morning about the viability of doing that at the moment, but it does represent one of the platforms that the province can put in place in order to increase the long-term economic activity in the province and to maintain our position in the country and internationally. Putting high-speed rail in will obviously increase the attraction of businesses to Red Deer. It will obviously make it much easier for

us to come here and to go there, so to speak. There will be huge potential employment for us as any line or complexes are actually constructed. There's been some mention also this morning about the prestige of building an Alberta high-speed line, and that certainly is something that would be very much welcomed in a city like Red Deer.

10:10

There is also a lot of discussion about where highway 2 is going to go in the future. We've seen presentations from Alberta Transportation about a possible rerouting of highway 2 to the east of Red Deer. If a high-speed line of whatever design was to be constructed, the best location for a station which would serve Red Deer would be directly adjacent to the new highway junction that would serve Red Deer from the east. If that were not to be constructed, having looked at some of the studies, particularly the World Bank study into the location of stations in China – they particularly talk about trying to get a station as close to the centre of a city as possible or to locate the station where the city can grow out around the station. In the case of Red Deer, that would pretty much fit with Red Deer's residential growth to the east of the city.

Considerations for us – things we've been thinking about in terms of what it would look like if we were to actually build a high-speed line, some of the things that need to be considered about actually attracting people into it – have already been touched on this morning, things like having very strong access to transport, be it light rail, public transport, carpooling systems. Whatever can get people to use the system will make it more successful.

We even looked at things like: well, what does a car park have to look like if you're going to actually use this? Can you actually walk across the parking lot in the winter? Are you talking about people leaving their cars there for a day or a week or accessing flights out of airports? There are a number of things that would need to be worked through.

Ticketing: the tickets that would be sold on any high-speed line would need to be seamless into the light rail systems of the destination cities, all the time trying to make it as easy as possible for people to move.

What's also been brought up this morning is access across the track. It's interesting that in Spain they mandated that every 500 metres there would have to be the opportunity for people to cross the track. The cost of actually building that, as was alluded to earlier, would be very substantial in any system that might be designed.

In conclusion, Red Deer plays a complementary and pivotal role with key industries that serve our whole province. Our competitive advantage lies in our location as a central hub, our skilled blue-collar workforce, the lower cost of doing business, and we're also an attractive destination for new migrants to the province. If high-speed rail was to be implemented, Red Deer's strengths would be emphasized and could become utilized by the entire corridor. More businesses could start using Red Deer as a hub for logistics, distribution, and transportation, more businesses could use Red Deer for their manufacturing needs, taking advantage of that very same skilled labour force and related infrastructure, and we foresee that Red Deer could become a bedroom community for Calgary and Edmonton as well because of the lower cost of property in Red Deer being quite attractive when balanced with the need for people to work in Edmonton and Calgary.

Those are the main comments about what we think the economic impact would be of building high-speed rail in Red

Deer, and they tie pretty much back to the professor's presentation this morning, where the economic gain for Red Deer out of the whole pie for the province would be about 20 to 25 per cent of the gain that would be achieved across the province.

I'm happy to take any questions from you.

The Chair: Thank you very much, Mr. Creedon.
Now on to Mr. Graham.

Mr. Graham: Good morning. My name is Bruce Graham. I'm president and CEO of Calgary Economic Development. Thank you very much, Mr. Chairman and all members of the committee, for having me up here to provide my comments today.

I would add that in addition to my role in Calgary, I'm the inaugural chair and past chair of the Consider Canada City Alliance, so I'm going to try to bring a bit of a national perspective to my comments as well.

I certainly won't be speaking to the specific numbers and the valuations, sustainability reports, many of the things that were covered off by the professor, but I certainly found his remarks very revealing, and they will, I think, reflect on some of the comments that I'm making as well.

I have not met with any of the proponents that have been referenced in terms of the solutions that could be coming forward for high-speed rail. My comments really reflect studies that I've seen from the Van Horne Institute and may not reflect some of the more recent thinking and numbers that, again, were referenced by the professor.

I think, first of all, I want to just give you a little bit of a snapshot of where we are today and where we're heading. We've had a very remarkable 10-year period of growth, and actually 10 years reflects the time that I've been here in Alberta myself. It has been a period where we've been able to dream big and act bold. It was maybe not when high-speed rail was first envisioned, but certainly it was in this period that the opportunity was crystallized at a provincial level.

I had to reflect back to when I arrived here in Alberta, and at that time, as some of you will recall, the TD Bank group released a report called *The Calgary-Edmonton Corridor: Take Action Now to Ensure Tiger's Roar Doesn't Fade*. That report was updated in 2007 but really, I think, reflected the heady times that we were in at that time and, I think, the same heady times that we're in today. Quite frankly, some of the recommendations coming out of that report talk about things that we've heard today like increased emphasis on public transit, increased push on densification, and finding opportunities to increase linkages right across this corridor.

Interestingly enough, back in 2003 I really think the oil sands factor was still very much in its infancy, and I'd say even today that we're still in the first inning of a nine-inning game, so if we are going to think big and act bold, we really have to bear in mind that that asset is still really in its infancy.

A few other stats and facts. You know, this region has grown by 2.4 per cent, more than double the national average in terms of population growth. It's expected to hit 5 million by 2027. That's probably not new for any of you. Calgary and Edmonton together have had the highest total real GDP growth in Canada over the last 10 years, the most of any of the major cities in Canada, and in that period Calgary has emerged as the second-largest head-office location. It's a reflection of the strength of the energy sector and the proportion of the national economy that that's had. Those head offices have increased from 84 to about 135, that we have today.

I think it really is incumbent upon us to reflect on what is going to support that growth, that activity, that opportunity over the next

10-year period. What deliberate investment, what positioning are we going to take as a region to really look beyond and diversify based on that strength in energy? You know, beyond the scope of maybe this committee it's really a question of: is it high-speed rail or is it something else that is going to differentiate Alberta and its major cities?

From my perspective and just looking at it from a high-speed rail standpoint, there are obviously economic benefits, environmental impacts, and quality-of-life and public relations regional profile considerations that need to be taken into consideration. It probably doesn't need to be stated, but I will mention it here. I think the Calgary, Edmonton, and I'd even say the Red Deer economies are actually very complementary and are worthy of consideration for strengthened linkages, as recommended by the TD group 10 years ago.

Certainly, the relative strengths in Edmonton around, you know, being the head of government, the strengths in education, the supply chain in energy service, and Calgary's strengths relative to the engineering, procurement, and the corporate head office and financial service sides of things really are worthy of, again, strengthening those linkages.

10:20

From an economic impact standpoint, high-speed rail has the potential, certainly, to drive economic business between our two cities, but it also opens us up on the global stage. It takes two million-person cities and a surrounding regional population and puts us in a whole different class of cities, and that needs to be considered in the bigger picture. I think that if we're going to go down this road, though, there are a few conditions that I would also suggest need to be on the table.

First of all, from an operational perspective and setting aside the capital costs, particularly for the assembly of the corridor, we need an operational, self-sustaining service. I think the corridor also needs to be considered in the context of other utilities, other opportunities that could take advantage of that corridor, and there's been talk about water, pipelines, power, and other related utilities. Consideration of the investment of public transit and the end-user experience: travel on high-speed rail does not begin and end when you enter the station for that service. It actually begins when you set foot out of your house or your place of residence. Ultimately, if the destination needs to be achieved by another form of transportation, that's got to be taken into consideration.

To bring it into the context of cities, though, from my experience with the Consider Canada City Alliance there are 11 cities that have worked together – they include Edmonton and Calgary – to promote international investment. They are the 11 largest metropolitan areas in the country. Together they represent about 52 per cent of Canada's population, but collectively in the last five years alone they have provided 72 per cent of GDP growth and 90 per cent of the new job growth in that time frame.

I think it's important to keep this in the context of the fact that cities are critical. They're going to be key to the success of this province going forward and to the fact that visionary and aspirational projects like high-speed rail need to be looked at in the consideration of connecting both Calgary and Edmonton as well as Red Deer. Clearly, it's what's defining cities in Europe and Asia, and it has the potential to put us on the map certainly way beyond what we have today.

Similarly, I think that if you look at the Van Horne study, a \$5 billion investment, which was their 2011 number, is a very bold investment. What other big and bold investment opportunities could be considered in that context to achieve that same objective.

I think that's, again, something that's got to be considered in the context of this committee.

Certainly, from an environmental perspective there's perception and reality. Certainly, the perception is that if you take cars off the road and utilize a greater percentage of utilization of public transit at both your terminuses, high-speed rail does provide environmental benefits to a region that is very conscious of its environmental image.

At the end of the day, with proper public infrastructure at both ends, we certainly believe there's merit to be considering this form of service and that planning for its future is important.

I think, to conclude, the things that I've identified as being considerations are something that's really very difficult to measure financially, and that's the differentiator that it provides to this region in putting this region on the map. Increasingly we're in a global economy. Mobility is key for people, and the next generations aren't considering where to live in Canada; they're considering where to live in the world.

Obviously, getting cars off the road and safety go hand in hand as well as the environmental considerations. The strengthening of economic links in the corridor: again, another important factor. Tourism: while it's touched on, when you're a 3-million- or a 2-and-a-half-million-person jurisdiction, you're in the position to bid on and to go after international events and activities that, again, are going to redefine what this region is.

The all-important talent pool. Not much has been said about the labour markets and the competition for people. It's going to be a global competition, certainly amongst well-developed economies. Factoring in what this kind of infrastructure will do for attracting, retaining people is another factor. There are certainly conditions that, I would suggest, need to be in place for this kind of investment to go forward.

First and foremost, I think access to market for our energy products is critical to that. I mean, that really defines the economic wherewithal to do this. Secondly, I think that optically we have to be in a much stronger budget position, but I certainly see the prospects of that coming forward with balanced and surplus budgets in the future. I think there has to be a high degree of belief that this can be a successful service, and we heard questions to that from the professor. There is certainly no point in building this unless it can be a showcase for the region. Finally, perhaps the most critical element is that your public transit at your two terminuses are in place to support an end-to-end connection.

Whichever aspect comes first, public transit is going to be key to the long-term success, and certainly if it's not high-speed rail, there are opportunities that we collectively have to think bold and provide aspirations on for the future of this economy. If it's not high-speed rail, certainly it's something that needs to be investigated to strengthen the connectedness across this province.

That concludes my comments. Thank you very much.

The Chair: Thank you very much, Mr. Graham.

Mr. Kobly, you've been waiting so patiently, since 9 o'clock this morning. The floor is yours.

Mr. Kobly: Thank you, Mr. Chairman, and thank you to the members of the committee for the invitation. I have to tell you that when I received the invitation to come to present this morning, based on the title that was given me, I was somewhat reticent to accept simply because we don't have a policy on high-speed rail. I'm immensely glad that I did finally accept the offer, based on the professor's presentation this morning, because it dovetails perfectly with one of the other policies that I brought forward to speak about instead of the high-speed rail policy.

Just to give you an introduction, there are 127 community chambers in the province of Alberta. Those chambers are members of the Alberta Chambers of Commerce. Those community chambers in turn represent over 24,000 businesses in the province, which makes us the largest business organization in the province. Of those 24,000 members, about 85 per cent of them are outside of Edmonton and Calgary. So just to give you some background on that.

We did have a debate. Our policies come from our community chambers. They are debated at our annual general meeting, and if they're adopted, then they become the official policy of the Alberta chambers. As the Alberta chambers we are only permitted to speak on those things which we have a policy on or a related policy on.

The original debate on high-speed rail at the Alberta chambers level happened about four or five years ago. For lack of a majority vote on it we were not able to establish a position for or against. That's how closely it was split. I would suggest that that might be, in fact, a microcosm of what you're seeing in Alberta right now.

We bring forward, however, a policy that we've had on our books for quite some time now. It also comes out of our Vision 2020 research papers, which are long-term research, long-term advice to the province of Alberta for planning for Alberta's future. Those research papers are, of course, available on our website.

By 2028 or sooner, depending on if we continue to have growth numbers in this province, as MLA Sarich mentioned, Alberta's population of 4 million is expected to swell to 5 million. More residents will generate larger volumes of traffic, boost demand for utility services, and increase the likelihood of intermunicipal land-use conflicts. Therefore, I'm presenting our policy on preparing for Alberta's growth by securing transportation and utility corridors.

10:30

The Alberta Chambers of Commerce believes the province can help pre-empt impending growth issues by acquiring a radiating network of transportation utility corridors, or TUCs, that can serve a multitude of purposes now and in the future. TUCs are vital for long-term planning between communities. They provide guaranteed corridors for transmission lines, pipelines, regional municipal utilities, telecommunications, and transportation. A network of TUCs will also reduce land-use conflicts, improve integration of communities, and encourage the development of a single dynamic economic region for Alberta. A proactive TUC strategy to link all of Alberta's urban centres and regions will not only help the Alberta government plan for future growth; it will provide the opportunity to develop a world-class provincial network of highways, rail lines, and transit systems designed to ensure the safe and efficient movement of goods and people.

Yes, it is certainly a long-term plan that the province will have to come up with, but I think this province has a track record of planning for the future. Were they visionaries, those people in the early '70s who decided that Edmonton needed a restricted development area around the boundaries of the city in order to provide for future expansion of the transportation and utility corridors? I can't imagine that if development or land holdings were permitted in the RDA, we would have been able to proceed with the construction and completion of Anthony Henday as expeditiously as, in fact, did happen.

This policy builds on the success that the province has had in the past with setting aside transportation and utility corridors and to move forward with those that we see as vital to Alberta's future. Creating an integrated plan to secure these critical TUC corridors is a fundamental step to proactive provincial planning, and doing

so quickly will save significant funds in the future. Should the government fail to act soon, the cost of acquiring TUCs throughout Alberta may become prohibitive and cause our province to forgo the opportunity that exists to shape our province's future in such a visionary fashion.

ACC believes the Alberta government can provide strong leadership by acquiring all of the future corridors needed for the kind of far-sighted planning that will greatly enhance Albertans' quality of life. When we take a look at alternative transportation corridors, one only has to look at the congestion that we currently have on the QE II moving all the way to Fort McMurray. There are alternatives if the proper corridors are acquired.

One of the other policies that we've been pushing, I guess, for about the last six years is the provision of a second 24-hour border crossing at Wild Horse, which is just south of Medicine Hat. You may say: well, how does that dovetail with the acquisition of transportation and utility corridors? Yeah, we only have one border crossing in Alberta, in comparison to the province of New Brunswick, that has seven 24-hour border crossings. A second 24-hour border crossing in southern Alberta could provide another access point for truckers to get into Alberta and further north along highway 40, which hugs the Alberta-Saskatchewan border and is far less congested than the QE II. One only has to take a look at the track record of what's happened on the QE II over the last winter. Whenever there's a major accident involving truckers, the entire roadway is shut down for many, many hours.

So when you look at those visionary types of programs, yup, it will take a while. It will take quite a while to acquire these utility corridors, but if we don't proceed now, in 10, 20, 30 years we're going to be having the discussion again. If the government at that point in time decides to go forward with these particular projects, the actual laying of the blacktop and digging the lines, the land will be much more costly.

Also, when we do talk about transportation on highways, just as another point about the Wild Horse border crossing, currently – and I'll state something obvious. Truckers don't work 8 to 5. However, if they're bringing goods into the province of Alberta, if they want to come into Alberta outside of those hours, they currently have to go all the way over to Coutts. They are not going to take the second northern option, which could be highway 40 currently, because that means them backtracking to Medicine Hat, which adds probably about three to four hours to their trip. Consequently, all the heavy truck traffic heads north on the QE II.

These are just some examples of what can happen if the government is proactive in acquiring those transportation and utility corridors for the future, when we certainly are going to need them.

Again, thank you for the opportunity to present, and I'm prepared to answer any questions the committee members may have.

The Chair: Well, thank you very much, gentlemen, for your presentations.

I will open the floor for questions. We'll start with Mr. Hehr.

Mr. Hehr: Well, thank you very much, Mr. Chair. Gentlemen, thank you very much for your presentations.

I guess my question would be directed to Mr. Graham of Calgary Economic Development, but essentially anyone can jump in on this theme. I, too, have seen the figure from the Van Horne Institute that says that high-speed rail will take a \$5 billion investment from the Alberta coffers. I also am interested sort of in the comments of Mayor Nenshi, whom I know your organization works very closely with in regard to this project, who has stated

that if you're going to invest \$5 billion in transportation, it should be done at your civic levels, on your bussing and your LRT and the like.

Given that governments can only do what they can with limited resources, have you considered if it's an either/or, whether the government should look at augmenting existing travel lines in the city or do the high-speed rail? I guess my follow-up question is: have you talked to organizations that have said that they need no government money to get the high-speed rail up and running?

I leave that open to you guys to try to answer.

The Chair: Mr. Graham.

Mr. Graham: Yes. Thank you. On your first point in terms of priority between high-speed rail and local public transit I would agree with the mayor's opinion that you're going to get a bigger bang for your buck, if you will, a bigger response, if you invest there first. I also tend to look at this from the standpoint of, you know, a provincial jurisdiction and also recognize that if you do make an investment in high-speed rail, you'll be forced to make an investment in public transit. You can't do one without the other. If that stimulates stronger engagement of the provincial government into public transit investment, then that's worthy of consideration.

Your second question, I think, if I heard you correctly, was around my knowledge or awareness of the proposals that might be out there. I have not had any direct dealings with those proposals and do not have any perspective on those projects. I think, similar to my colleague from the chamber, Calgary Economic Development doesn't have a formal position on high-speed rail and, really, is revisiting the issue based on the request of the committee.

Mr. Hehr: Thank you very much, guys.

The Chair: Thank you, Mr. Hehr.

Would the other presenters like to add to the questions of Mr. Hehr?

Mr. Ferguson: Just to reinforce but to also make it unequivocally clear, for the next 12 years the investment in municipal LRT and municipal infrastructure helps build up those two nodes and creates the population density that you need in order for someone else to come in and pay for the lines in between. If we don't do that first over the next 12 years, then this is a tremendous cost to the government and to the taxpayer going forward, and it doesn't allow for the cities to be as efficient as they can be. You know, we are estimating that over the next 12 years the population will be between 1.8 and 2 million in the Edmonton region. You need to have those two nodes as strong as you can to do that, then someone will pay for the line to come in between. That's where the economics start to come into play as to how a private-sector firm will pay for this without underlying government guarantees.

Thank you.

10:40

The Chair: Okay. Thank you.

Any of the presenters? Great.

Mr. Barnes.

Mr. Barnes: Thank you, Mr. Chairman. First of all, to Mr. Kobly: it's actually highway 41 that runs parallel to the Saskatchewan border, and that's where the Wild Horse border crossing is. It's through my constituency. It's estimated that it's approximately a billion, billion and a half dollars to upgrade the road to make it so trucks will use it more.

I have two questions, two parts. I'm curious if you think that investment would be, you know, important to the economic future of Alberta. Also, I'll just point out that the new federal sage grouse protection order runs right through that area, and part of it is a prohibition on widening or building any new roads, so that's a huge concern for that project. But I wonder about what you think the overall economic benefit of that is.

Then, in your position as head of the Alberta Chambers of Commerce – to me, I think kind of the three things that have really, really attracted business to Alberta are our situation with no PST, our 10 per cent flat tax rate, and, at this point in time, no net debt. When the professor talked this morning, he talked about construction costs of \$3 billion to \$20 billion and going higher and operating costs having to be subsidized. Even at 5 or 10 per cent we're looking at some side of a billion to \$3 billion a year. I think one of his strong statements was: beware of somebody who comes along and says that public investment is not necessary; be wary of that. I'm wondering if you felt that if the people of Alberta were in a situation where we were looking at subsidizing high-speed rail tremendously, whether it's the capital cost or operating cost, if that actually may have some negative effects on attracting business to Alberta.

Mr. Kobly: Mr. Chairman, you know what? I apologize. I should have known that number because I was born and raised in Medicine Hat, so I've spent much time travelling that highway.

You know, we believe that this particular project in southern Alberta, with the Wild Horse border crossing and expanding the highway north, would not only provide economic growth in the south part of the province but economic growth throughout the province. Up till now we talked about high-speed rail and the importance of moving people. It would also make the movement of goods and services north to where the production and activity is, in Fort McMurray, a lot more effective and therefore a lot less costly. In that particular instance it's a project that would benefit the entire province.

It would also take the place of ongoing maintenance on highway 2, from the point of view of heavy truck transfers beating up highway 2 and the ongoing maintenance that's required. I mean, you have a four-lane on highway 2 primarily south to north. At some point in time you're going to have to expand those lanes to just simply handle the flow of traffic that's there right now. This has the opportunity to take some of that traffic off highway 2, very practically.

I'm not sure about the restrictions on the sage grouse. As you mentioned, that's just recently come out. I think there is some suggestion that perhaps the federal environment department is somewhat off base from what I've heard from the folks in southern Alberta.

Operating costs and capital costs. Certainly, our position on operating costs in the province of Alberta is that the province maintain its restricted spending level increases every year to no more than increases in inflation and population growth, which they did last year. We also would like to see an operating budget surplus, certainly not deficits. To that degree, the province had a \$451 million deficit last year, which is very close to a balanced operating budget. We believe the capital budgets should be distinguished separately from the operating budget. It's no secret the Alberta Chambers of Commerce is a proponent of ongoing capital expenditures in the province of Alberta to continue the economic growth in the province.

I hope that answered your question.

Mr. Barnes: Yeah. Thank you.

The Chair: Thank you very much.
Mrs. Sarich.

Mrs. Sarich: Yes. Thank you very much, Chair. Gentlemen, thank you for your presentation this morning from the various perspectives. I did learn something about that highway. I didn't realize what the expenditure would be. I heard a billion dollars from one of the committee members for that, so that was very interesting.

It provides a really great segue to what I'm interested in trying to understand. Certainly, as an Edmonton MLA, having worked very closely with the former mayor of Edmonton in terms of understanding our transportation requirements with the LRT and then the Capital Region Board as well, there are many layers in that mix. From the previous mayor and the city council there was an understanding that, for example, for the LRT the ask was about a billion, so all the legs of the LRT. Then there would be consideration for Calgary or Red Deer.

Because you have interesting perspectives, I was wondering if – if I use the Edmonton Economic Development handout as a bit of a foundational piece this morning, stage 1 was to build robust intermodal transportation hubs in Edmonton and Calgary. But I think that through this discussion and peeling back the layers, there are other considerations or other communities, especially from the Alberta Chambers of Commerce and, you know, as communities and their hubs as well. So when I look at the big metro centres like Edmonton and Calgary – and then there is Red Deer and then Medicine Hat, Lethbridge, and Fort McMurray – I'm just wondering if you could from your own perspectives lay out that stage 1 because as a government we need to support these communities. We need to help in the transportation.

It's very interesting as well that the Minister of Transportation is rolling out the conversation and discussion about a 50-year plan. If we're going to think to the future to connect into stage 2, have that level of integration and plan for the future of a high-speed rail of whatever the leg may be, we have to look at: where are we today, what is it that we need now in order to grow capacity, and then is there something that we could be doing now for a project like high-speed rail in the future that would truly bring on this integration to the fullest extent?

I really would like to know from the various perspectives that you represent today what that stage 1, that intermodal transportation model, looks like from your perspective, you know: approximate cost, if you have something to share on those high areas that would link up all the corridors, and what you believe – and maybe it's too early to say – would be some of the preliminary planning as we look to the future for high-speed rail.

Go ahead.

Mr. Ferguson: I'll start the discussion. I'm Brad Ferguson from Edmonton Economic Development. I came here with an Edmonton perspective but trying to also think what's best economically for the province, what helps the whole. I'll go back to my earlier comment, which is that it's about strengthening the nodes first. We have two big nodes. Somewhere between 75 per cent and 80 per cent of the overall population growth going forward is in the two major nodes.

Then you've got probably about five other secondary nodes that are also of critical importance from a regional perspective as to where economic activity takes place. Each one of those nodes has their own municipal infrastructure plans and transportation plans that have been communicated to the province. I feel strongly impressed that that needs to be addressed and committed to first,

and with strong nodes then you start to link the connections between the nodes.

From my perspective it's a prioritization of where activity needs to take place. First of all is a commitment to strengthening the nodes; secondary, then, the connection between the nodes.

The question you asked, though, is: do we start to invest in acquiring land for the connectivity in phase 2? I go back to Professor Siemiatycki's comments around it coming at an opportunity cost, where we can get fixated, and that can actually take away from the growth speed of the nodes, which is fundamentally important.

Those are my comments.

10:50

As for a price point, I think that we're talking about a billion dollars on the phase that we're talking about with the province currently. I don't know what the overall plan is over the next 12 years, but in my mind it's a 12-year commitment to the cities.

Thank you.

Mr. Graham: Bruce Graham from Calgary Economic Development. The only thing I would add is that I think we have a unique opportunity to showcase where we are and what we are as a province. It's going to likely be through your cities. Current trends show that for economic activity, whether you're talking about China, Europe, or North America, cities are where the innovation is happening. It's where the population is going to. We are in a competition globally, and your city jurisdictions are at the forefront of that competition.

Quality of life, transportation linkages, economic vibrancy, and infrastructure are going to differentiate whether you're going to be a winner in that global race or whether you're going to be left behind. We have got a tremendous asset base to build on because of our natural resources and the innovation that we've actually developed to exploit and produce those resources. It's a great opportunity for economic diversification. It's a great opportunity to capture the mobility that is out there in the global marketplace.

Getting back to your question around a staged approach, you've got to enhance those key aspects of yours, your two major cities. It's where the economic opportunity in the future is likely going to exist based on most recent history. That's where you have to be bold. It's where you have to differentiate. Some of those strategic investments, if it's not high-speed rail, which may not have immediate short-term impact, are actually looking at what infrastructure is going to differentiate and strengthen those assets. People go from global to local very quickly.

Mrs. Sarich: Just if I may, do you have a sense of what the transportation ask from the Calgary lens would be to the province, you know, for the C-Train and all of that?

Mr. Graham: No. But my understanding is that our general manager of transportation is speaking to this committee at a later date, and he will be able to share that. I'll actually make a point of mentioning that to him as well.

Mrs. Sarich: Okay. Great. Thank you.
Anybody else?

Mr. Kobly: I guess trying to pick the number one priority, as you asked, is a very difficult process. I think what you would need to do is bring together a group of people, whether it be a standing committee of the government, to determine: where are the provincial priorities?

There is hope in doing that. I go back to the successes that we had with the Anthony Henday. It was planned 40 years ago to have that road and the other things that are in it currently to be in. MLA Olesen, I believe, served on Capital Region Alliance with me at the time. The challenge thrown out from the province was to come back with your number one priority in the Edmonton metro area. Believe it or not, 23 municipalities surrounding Edmonton, some very far away from the Anthony Henday, agreed that the Anthony Henday was the number one transportation project for the Edmonton metro area.

I think that if you toss that out to a group of well-intentioned individuals, they'll give you the number one priority that you should be planning for. Again, in my mind the two things that won the day and got the funding for the Anthony Henday were, one, that it was regional co-operation and the idea that everybody agreed that it was the number one priority. It was also the costs that were involved to businesses in having an inefficient, congested transportation system which delayed the movement of goods and people, primarily goods and services, as far as commercial traffic.

Mrs. Sarich: Great. Thanks.

The Chair: Thank you.

Mr. Rowe, please.

Mr. Rowe: Thank you, Chair. I just want to comment on this plan by Edmonton Economic Development. It's very impressive, and I fully agree that these nodes have to be completed before we even think about the main high-speed rail.

I just have a couple of questions for both Mr. Ferguson and Mr. Graham. It does show that the high-speed rail wouldn't begin until Airdrie, and then it would end at Leduc. Is that where you see those stations beginning and ending from either side?

Mr. Ferguson: Just from my perspective I can't comment on the plan as to where the beginning and the end going either direction would be.

Mr. Rowe: Okay. Yeah. It doesn't look to me like the high-speed sections are going to go into downtown Edmonton or downtown Calgary.

Mr. Ferguson: The high speed isn't coming from our plan. It's coming from, I think, this committee. So I can't comment.

Mr. Rowe: Okay. All right. Calgary? Same?

Mr. Graham: Yeah. Maybe you could repeat the question for me because I wasn't quite clear on that.

Mr. Rowe: Yeah. Their plan shows a high-speed rail starting in Airdrie, ending in Leduc or vice versa. It doesn't appear that they're going to go into the central core of each city, and I see that as somewhat of a drawback. But other than that, I just have to comment again that this definitely has to be done or something near to it. To complete the LRT systems in both of the major cities is key to making this thing work.

Mr. Graham: Yeah. In response to your questions there has been, as I understand, land secured for a terminus for a high-speed rail link in downtown Calgary. I'm not familiar with the documents you're looking at, but I suspect a high-speed rail service can't achieve high speed until it gets well out of both urban cores in both cities. Certainly, my understanding is that for a successful service to occur, it needs to get into the core of each city. It needs

to integrate with the public transit and linkages in both those cities.

Mr. Rowe: Okay. Thank you.

I'm not sure who wants to field this question, so I'll just put it out because I think it's pertinent to especially Mr. Kobly. It's generally assumed that the land would have to be bought or expropriated to make this thing happen. We're all aware of the huge impact that just the placement of the power line created throughout rural Alberta, and this is going to have a much bigger footprint than the power lines did. Do you see a problem with this? Should the persons whose lands are under threat of expropriation or compensation have recourse to the courts for the project? Or how do you see that coming about? How are we going to get over that obstacle?

Mr. Kobly: I think that currently there is an opportunity for individuals to be compensated fairly for their property. Whether they're permitted to take that expropriation order to court or not, I think that's probably something for the courts to decide, whether that should be permitted or not. We have no policy on expropriation and whether it should be forwarded to the courts or not.

Mr. Rowe: Okay. Thank you.

The Chair: Thank you, Mr. Rowe.

Mr. Xiao.

Mr. Xiao: Thank you, Mr. Chair. First of all, I'd like to thank you guys for coming to this committee to do the presentation. I did enjoy your presentation and that you talk broadly about the province. Also, Edmonton Economic Development, Brad, made some comments that I think make sense. Also, the professor this morning did, I believe, a very good job.

Probably everybody here has travelled quite a bit. We have experienced a lot of, you know, rail travel if you have been in Tokyo, Amsterdam, or Paris. I don't know how many people have been in Shanghai and Beijing. I think it takes a very well-developed transportation system in an urban area to feed that.

11:00

I don't think we're there yet. I'd really like to see our government helping to work with the municipalities, really, to fulfill their plan, which is to develop the urban transportation system to the level that maybe one day we require high-speed rail transportation between Calgary, Edmonton, even Fort Mac. Also, probably it's time for us to widen the road, broaden highway 2. It's still usable, but I think it's time now for us to add more lanes to it, you know, if not to build some separate segment of that highway 2.

Also, I totally agree with Brad. When you think about the future, you tend to want to use the future technology, not the technology which was developed 20 years ago. Like, the Japanese high-speed rail was almost 40 years ago now. I recently travelled to China. China now has more high-speed rail than the rest of the world combined, and in 10 years they're going to double that. Very recently they just tested high-speed rail which can reach over 600 kilometres per hour. Right now they're operating high-speed rail between 300 to 400 kilometres per hour. You know, I would suspect that in another 10 years or 20 years there might be something that we don't even know.

So it makes sense for us to develop our urban transportation system first. Then, once we get there, we might think about building something that is based on the newest technology and possibly becomes more efficient and also leaves less of a footprint in terms of carbon emissions. I can understand the professor's

point. High-speed rail is driven by electricity, so it very much depends on what the electricity is generated with. In Alberta most electricity is generated by coal. Coal has a higher CO₂ emission than natural gas.

I don't have too many questions, probably lots of comments. I just wanted to echo everybody's statements in the presentation.

Thank you very much again.

The Chair: Thank you, Mr. Xiao.

Mr. Stier.

Mr. Stier: Yeah. Well, good morning, and thank you, folks, again, for coming in here and having a nice visit with us. It's fairly interesting. For years I've been involved in the regional planning concept that's been going on in Alberta for a long time. I know that in one of the brochures we received this morning, particularly from Mr. Ferguson I believe it was, there were a lot of charts and diagrams that Mr. Rowe, to my right here, referred to with respect to linking bedroom communities – let's call them that – et cetera, et cetera. There have also been some conversations about whether or not it would be something that the Edmonton Economic Development Corporation had considered in terms of linking that to the high-speed rail and to where the high-speed rail might terminate.

Yet if I heard you correctly, Mr. Ferguson, you said that you couldn't comment much more on that because that would be more of an engineering thing. You're just working with theories. Certainly, it makes me curious, though, in this consideration that you would have had some ideas of where it would terminate, where a station might be. Would that station be downtown? Would it be a suburban station, and then it would be linked to another LRT slow-speed situation? Can you maybe elaborate a little more on what might have been the vision?

Mr. Ferguson: Sure. Absolutely. I'd like to take you to New York for a minute. In Manhattan you've got almost 20 million people, 18 million people, but they've got a wonderful borough system, where you've got Queens and Harlem and Brooklyn and the Bronx. You know, they struggled with identity for years until they started to develop that network system and empower those boroughs that sit around the main core. In Edmonton we kind of have that same view, which is that we've got Leduc-Nisku and Strathcona-Sherwood Park and St. Albert-Fort Saskatchewan and Stony Plain-Spruce Grove, that all need to be empowered in their own individual identity but connected to a network.

When we talk about the Edmonton LRT system and the connectivity, it goes beyond our physical bounds right now to make sure that those bedroom communities, that are really huge parts of our economy, are connected. Then you determine where the centre point is, where the end point is, and that would logically be in the downtown core, similar to how it is in Manhattan, and then you branch out from there. Whether it's most effective using the technology 20 years from now as to whether that's going to be in the downtown core or at the point of entry, we can't comment on that because you can make an argument either way.

Mr. Stier: I see. If I could, through the chair, expand a little bit, with the regional planning model that is being promoted these days and the size of the communities we're talking about and the way that municipalities are struggling with funding, do you actually see that LRT service out to those outlying areas is actually worth while in terms of ridership versus the cost versus how those municipalities might be able to contribute? Have you looked into any of those kinds of things and had intermunicipal meetings in regard to that yet, particularly in the Edmonton area?

Mr. Ferguson: I believe they have taken place. That goes beyond my jurisdiction because I'm not in those meetings. But when you look at the overall vision for the Edmonton region, the capital region, a principle that is in place is: how do we become better connected, and how do we increase the speed and flow of things within the region? I think the principle is in place, and I can talk to that, but I just can't talk to the specifics because that's beyond my jurisdiction. I think we have the city manager and the mayor potentially coming in in days to talk specifically about that.

Mr. Stier: Okay. Thank you very much.

I think that I'll curtail the rest of my questions, Mr. Chairman.

The Chair: Thank you, Mr. Stier.

Mr. Hehr, are you still with us?

Mr. Hehr: Thank you, Mr. Chair. I'm going to pose this question because we have a group of panelists who are presenting here today who have a sophisticated view of both their cities as well as this province and have an understanding of not only what the infrastructure needs of their cities are but also for the province and how public investments dovetail with the private sector to make things happen in this province. It also was spurred on because of a question that was asked earlier, framed in such a way that stated that this province is great because we have a flat tax, the lowest corporate income taxes, and no PST. Of course, you know, that leads to, in some people's view – and it would be mine – an inability to make public infrastructure investments of the nature and kind needed at this time in Alberta. And you can see how that is, where the suggestion is that we need \$5 billion to build the high-speed rail as well as a lot of money to upgrade our city LRT systems and buses.

Given that, I was wondering if the groups that commented, given that these projects appear to need public infrastructure dollars – I'll frame it that right now we're heading to a \$17 billion debt by 2016, and there are only two ways to get money: you raise taxes, or you add debt. What are their thoughts on the fiscal structures, whether they're adequate for doing these public investments? If they have any comments in that regard – I think they've thought about these issues a great deal – I think they're well positioned to answer that question. But I'll leave it up to those people to decide whether they want to tackle that.

Mr. Ferguson: I'm happy to talk about it. It's an appropriate question because it's about how you pay for things. In this province we want the best schools and the best hospitals and the best universities and the best roads and the best LRT system and the best high-speed rail now. We want it all, yet we're hyper-dependent on the price of oil to finance it. So it's a matter of time before we have the courage to talk about an increase in taxes or some sort of consumption-based taxes in order to provide some stability to how we finance these things from an operational point of view over the long term. That's my first piece.

11:10

The second, though, is that once you build up your nodes and your investment of where the majority of your population live and their efficient systems, then it's natural for the effective use of the private-sector groups to finance the links between the two because that's the flow in a utility-based model. That should be financed once demand is there.

That's my particular opinion, not necessarily representative of my entire organization probably or the city, but you asked for it, and I'm not one to hold back.

Mr. Hehr: I'm glad you answered that.

The Chair: Thank you.

Mr. Kobly: MLA Hehr, again, as probably no surprise to anybody, the Alberta Chambers of Commerce supports the idea of smart capital borrowing when it comes to keeping capital expenditures at a stable, predictable level. As Brad mentioned, just because the price of natural gas and oil is down in any particular year, does that mean that we have to all of a sudden terminate any capital projects or not take on any new capital projects? When you have the type of population growth that we have in this province – as it used to be said by former Premier Stelmach, when these people come to our province, they don't bring their hospitals and schools. What a shock. We have to provide for the growth and the idea that it will certainly be funded out of future revenues.

There are smart things to do, though, and that is to ensure that you don't have an operating deficit. In the last budget, I'll reinforce, this province had a \$451 million deficit, which was close enough to be called balanced. I would suggest to you that the province is probably going to end off the year in a surplus position, and that does show you how volatile we are. We are dependent on not only our nonrenewable natural resource revenue but also on the exchange rate.

We do have to plan for the future. We do have to move ahead. The reality is that there are people coming, and there is the reality that we are going to be exploiting our nonrenewable natural resources on an ongoing basis. So we do have to plan. We do have to have those capital expenditures.

One way of mitigating those types of things – and I'll refer you to another Alberta Chambers of Commerce Vision 2020 policy – to provide for Alberta's future was to start saving more of the resource royalties in the heritage trust fund, build the heritage trust fund up to a situation where at the point in time when nonrenewable resources evaporate or have a greatly diminished capability, you can start to draw out the revenue to make up for that source.

It's not something – as obviously all MLAs know, you should be budgeting your capital expenditures on a year-to-year basis. You need to have a long-term approach to it. Not only does the provincial treasury require that, but businesses require that because if they're going to gear up and they're going to buy the equipment necessary to do roads, what a dramatic effect on road builders when the province cuts the budget on road repairs and maintenance to zero in any given year.

Sorry for rambling.

The Chair: Thank you, gentlemen.

Ms Pastoor.

Ms Pastoor: Thanks very much, Chair. I've been known to ramble, so do bear with me. Really exciting stuff.

The Chair: We only have 50 minutes left.

Ms Pastoor: Oh, is that all? Okay.

Really exciting stuff. Thank you very much, gentlemen. One of my first comments I'd like to make is: on the map from Edmonton, how delightful to actually see Lethbridge. I'm hearing: big city, big city. What I'd like to hear more is that this wonderful transportation system will actually go to smaller towns so that we can keep rural Alberta alive and well. We have to eat and drink, and our oil does not provide that. Coming from southern Alberta, I'm sure you realize that we really have to be a part, and not just us, certainly northern Alberta as well. We have to remember that we have rural people out there, and if we can connect them, as was

mentioned, I believe, by Mr. Ferguson, that's what's going to keep our province very, very viable.

One of the other things that falls into that is that agricultural is no different than gas and oil. We have to get our products to the marketplace. We're land bound, so if we can put it on a transportation system that will move it, maybe we can sell our tomatoes in Fort McMurray. Just a couple of thoughts on that. But, yes, thank you for recognizing Lethbridge and a few of the other places in rural Alberta.

A question – and then I'll just ramble a bit more if I may – to Mr. Kobly. The chamber vote, you said, was probably half-and-half at one point for the resolution for the high-speed rail. Do you think at this point that that may change?

We also spoke about huge amounts of money, billions and billions and billions. Well, you know what? It's like buying a car. I'd like to buy a \$20,000 car but think: oh, my God, that's a lot of money. But I'm putting it over 15 years because I'm good to my cars. These big, big dollars are not going to be tomorrow morning at 9 o'clock. These are dollars that can go over a 50-year period, so I think that sort of cuts it down to size.

The other thing that I see here that really excites me is the fact that this is a large plan, and now all of a sudden some of these little parts are coming in under that big umbrella. I'm speaking of the Wild Horse border crossing. As a member of the Canadian-American border alliance group, that I belong to: this has been a topic on their agenda forever and ever and ever. It really does just make sense if you really get down into the weeds on it.

I think I'll just perhaps close with the fact that big ideas are where the 21st century is going to sit. I have to wonder here. I just wonder how long Bill Gates and Steve Jobs sat around navel-gazing before they actually moved ahead. I would suspect it wasn't as long as on this one. Perhaps my one question to Mr. Kobly could be answered: do you think there's a shift in thinking?

Mr. Kobly: On high-speed rail?

Ms Pastoor: Yeah.

Mr. Kobly: Not to prejudice what the delegates would say, but if I were a betting man, I would say that it would probably not come to a consensus situation again.

Ms Pastoor: So we have to work on our chambers.

Mr. Kobly: No, you don't have to work on your chambers; you have to work on Albertans. Chambers are represented by Albertans. As I mentioned at the beginning, it's not just business's opinion. These are individuals who live in the communities. At any given AGM we have 40 to 50 of our community chambers coming out, representing the largest of the large chambers and the smallest of the small chambers. Those individuals are folks who are primarily residents of their own community. They looked at it, and I guess 50 per cent of them weren't particularly convinced. The other 50 per cent are convinced. So it's not necessarily the business community speaking; it's individuals from those individual communities who are speaking.

Ms Pastoor: Good. Thanks for that.

Mr. Kobly: Your comment about getting goods to market, whether it's oil or agricultural: I couldn't agree with you more. Certainly, again, that was one of the reasons why it was so important to get the Anthony Henday completed from the point of view of a more direct route and a more rapid route for deliveries

either to come into Edmonton, out of Edmonton, or pass through Edmonton.

The point also about capital borrowing, that it doesn't hit the bottom line immediately: it does as a liability. But I agree with you. The expenditure for it occurs over the number of years that it's amortized over. When we speak to smart growth, which I didn't elaborate enough on, when we talk about smart debt, it is suggested that smart debt, first and foremost, only covers capital expenditures and, second, is matched to the amortization of the length of the project, which is something that municipalities have dealt with for many, many years because municipalities can't run deficits.

The Chair: Any other input? Go ahead.

Mr. Creedon: We produce a significant amount of the policy that's actually produced in Alberta that goes through the Alberta chambers. I would echo Ken's comment. There is very little appetite in our policy committees to actually discuss high-speed rail at the moment. Whilst I presented on what the benefits of high-speed rail would be to Red Deer, actually in Red Deer there is very little discussion about the desirability of high-speed rail at the moment. I'll leave it at that.

Ms Pastoor: Thank you.

11:20

Mr. Ferguson: Just to connect back to, I guess, an overall appreciation of smaller communities, not the smallest communities but still a network of hubs, Lethbridge is part of that, and highway 3 is, you know, a major corridor as well.

The technology that we've traditionally talked about in high-speed trains means that everyone thinks of the whole train, but not the whole train needs to go to Red Deer; not the whole train needs to go to Lethbridge. It depends what technology platform you're talking about in terms of what we're actually looking to build here and how we connect our smaller communities. This is part of the decision. Do we buy the technology from Germany and bring it in and just implement it, or are we in the transportation business, that connects our entire industrial supply chain to support a new industry, and actually starting to become a real leader in transportation?

If we're going to go down this path and invest between \$5 billion and \$20 billion, then I'd love to see it as a platform for innovation across the province going forward. That's how we get recognized internationally as doing something spectacular, but we gain the economic benefits. We don't just buy it. It also gives us a platform to now export it and become excellent at it. The topic about technology – and that's a policy-based piece – needs to be tied to this discussion at the same time because that's where a tremendous opportunity exists.

The Chair: Ms Olesen.

Ms Olesen: Thank you. Thank you for all your input. It actually helped. It's given some good perspectives, some broad perspectives. I really appreciate Mr. Ferguson's theory of the planned, integrated, phased approach. It reminded me, Mr. Kobly, of when we were on the ACRA board together and subsequently the Capital Region Board. I would suggest that the transportation LRT in the hubs for the Edmonton region has been agreed to, like we did with the 23 municipalities. There is a transportation committee, and there is consensus on how they are going to move forward and what the priorities are. I guess my question would be to Mr. Graham. In the Calgary area I know that your Calgary

transportation people will be coming, but I'm not familiar with the Calgary Regional Partnership's work or if they've gotten to some consensus on priorities in the Calgary area and if you're aware of any.

Mr. Graham: There is a plan, a heavy rail plan, and a bus solution, I guess an interim solution, that have come forward. It's not a plan I'm intimately familiar with. It's a little bit outside of the scope of our organization's work, but it's something that we've been made aware of. Again, I think that in the context of the nodes and the approach it's an integral part that needs to be included in the context of this discussion, both within and without high-speed rail.

Ms Olesen: Thank you.

The Chair: Mr. Cao.

Mr. Cao: Thank you very much, Chairman. Thank you, members of the panel. Your illustrations and thoughtfulness: I've really appreciated that.

Just before I get into the questions and get your ideas, I think transportation, like you've already said, is part of the perspective. We looked at the world view on the transportation experience, which the professor gave us. Also, we talked about our province, like you have illustrated here, and then we talked about regional, which you illustrated there, and also about the urban centres, which you also mentioned.

Of course, within the urban centres, for example in my riding of Calgary-Fort, there are different needs for the residents to move around, to go to work, to truck their goods and services within the city. That also needs to be looked at as well. From that, I think there's something missing. There is a national perspective, right? When we talk about Alberta transportation, I think we need to add onto the trans-Canada kind of idea going through; for example, transport of goods, which is a pipeline. That somehow has to be included in your economic development thought at least, the national side of it. That's my comment.

My question. I always have in mind the transportation needs. I believe transportation, first of all, in modern times is not really for people or for me to travel back and forth on trips but is for goods and services, bringing things around. That's the main thing. That's why we have highways. So in transportation, to me, priority one is economic, the transport of goods and services, and then secondary is people. I want you to have some thought about that and some comments if you want.

Number two on that is that our world is changing fast. We have high tech, IT, communication. Fantastic. Here I can talk to my little grandson on FaceTime. I teleconferenced when I was in the corporate world. I had to work with my colleagues in Houston, in Calgary. We'd sit there and talk through the screen, and now we have it, too, right? I was wondering about the impact of high-tech communication on the needs of people moving around.

Those are the two things you can comment on.

Mr. Graham: Well, I'll try that first. There is a definite balance between, I think, the priorities of moving goods and moving people and, I think, also of moving ideas. It's very difficult to predict the future. The only comment I would suggest – and this maybe comes a bit from my own background in downtown Calgary – is that one of the reasons downtown Calgary works as well as it does is that the opportunities for face-to-face contact in the +15 network system for pedestrians plus a free rapid transit zone on the LRT are all critical aspects of moving ideas, allowing for innovation and partnerships and ideas. I don't think we can

ever lose sight of the fact that face-to-face contact is increasingly important.

Airports and destinations and where you're connected to globally really dictates how relationships form and happen, and I don't think we can overestimate the importance of that element. Clearly, through both the regulations and pure cost economics, logistics and the location of supply chains are critical to how jurisdictions grow and develop.

In different elements I think that Red Deer, Edmonton, and Calgary have logistics capabilities that serve different geographies, some more regional, some more national, some for consumer goods, and some for industrial products. The regulations, the cost competitiveness, the access to infrastructure are critical to that. It all starts very much locally, but it moves regionally, nationally, and internationally.

I wish I could give you a more specific answer. Everything is connected, both through thought and product and people.

Mr. Ferguson: I'll just comment. My opening remark was that I know hon. Minister Drysdale is working on a 50-year integrated multimodal transportation structure. We just can't operate in isolation. It needs to be part of that.

I'll just leave it at that. I think the government has done a good job in making sure that they're addressing that right now.

Mr. Crendon: Just to comment on the face-to-face element, all the work we've been doing in investment attraction is fundamentally based on people building relationships. The early stages of those relationships have to be built face to face. They can be managed using technology as the relationship grows, but certainly the early stages are fundamental to face-to-face meetings.

The Chair: Great.

Mr. Dorward, and you only have one minute. No. Just kidding.

11:30

Mr. Dorward: Chairman, I wanted to thank you for a very efficient meeting, including no comfort breaks, and therefore everybody is quite anxious, actually, to have me only speak for one minute.

The Chair: You want to get that on the record, eh?

Mr. Dorward: It's on the record. It's in *Hansard*, and everybody else can hear it and read it and talk about it.

I did want to thank these gentlemen for coming. Mr. Ferguson, an excellent document you've presented. You know, it's very nice to have the four of you in the room together.

My quick question is: have you been in a room together before as representing the three largest cities in economic development and then, of course, the Chambers of Commerce of all of Alberta?

Mr. Ferguson: I'll comment first. Probably not as much as we should. Bruce and I and Tim: our teams work together on a daily basis. Our focus a lot has been kind of Red Deer and north, which has a lot between Edmonton and Fort McMurray right now, Edmonton-Cold Lake, Edmonton-Grande Prairie, those corridors. When you look at just priorities, it takes up an abundance of our time in that area. I know our teams work together on integrated projects and with the C-11 across Canada as well. We do do some stuff, probably not as much as we should, but it's a function of dollars and priority and time.

Mr. Graham: You know, the only thing I would add to that is that we're having lunch together after this meeting here.

Mr. Dorward: Mr. Kobly, thank you for mentioning the Wild Horse highway 41 situation and indirectly the economic alliance of southeast Alberta. I sit on the Ports-to-Plains board now. I've always loved that whole area of Alberta. It's a transportation no-brainer to go heading north right from the Gulf coast all the way up through the States. It just points all that way, yet we don't have that connection.

A comment to my colleagues on the committee: I hope that we can find a way within the context of the task that we've given ourselves to be a little bit more holistic relative to the task and include some of these notions that we've heard, of including the wide-ranging need to consider high-speed rail but also other ways that we can be planning and preparing for high-speed rail into the future.

I think my sense of what you've said here today, gentlemen, is that it fits a lot. You know, I'm from Edmonton, so I'll promote Edmonton a bit. This map is wonderful. Build the nodes that we need to right now, certainly, look at the land purchases that need to be done along the way in a constructive and meaningful and, hopefully, inexpensive as much as possible way, and get ready for the day when we need to have these kinds of high-speed rails.

My quick last question, then, and it will be short snappers, please. If we had high-speed rail as a first starting point between Calgary and Edmonton, that had opened a year and a half ago, say, would we be more prosperous as cities and as a province?

Mr. Graham: I'll comment first and suggest that my \$600 air fare and transit ride to this meeting might have left me a little more prosperous had we had high-speed rail.

I certainly believe it strengthens the connectedness. What value does that really bring? We just had a question on collaboration and co-operation. Proximity and access and face-to-face contact are all critical elements to that, and that's what drives innovation. You know, increasingly we are an economy that is not low cost and low productivity and low value; it is high cost, high productivity, high value. It drives the need for us to connect better. So to simply answer your question, I would say that, yes, we would be better off today if we had stronger linkages, be it high-speed rail or some other means, to connect between Edmonton and Calgary and certainly Red Deer as well.

Mr. Ferguson: I'm challenged by the question, and the reason is that we have two very different parts of the province, two very different economies. Bruce always says that they're complementary and collaborative, but the flow between the two in terms of passengers is getting done today; it's just not getting done efficiently.

I think we've greatly underestimated our population growth rates going forward. Greatly underestimated. All we're doing is projecting out what exists today, and we haven't taken into account severe differences in economic apartheid taking place world-wide and the appeal of Canada and, once they get to Canada, how they move to where prosperity is. As we move from a goods-based economy to one that is service based, knowledge based, human interaction based, the need for moving people and ideas at a rate of speed that is competitive, as Bruce talked about, becomes increasingly important.

This isn't about the last year and a half, with respect. This is about 15 years out, 20 years out. People will look back 20 years from now and say: "They planned for it properly. They didn't go build it right away, but they planned for it properly, and now we're able to reap the benefits."

Mr. Creedon: I would echo the comments that have been made. If it had been built a year and a half ago, I suspect that Red Deer would be profiting on the borrowing of the province as opposed to actually being – we would be actually increasing the overall economic pie.

Mr. Dorward: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Dorward.

Any more questions? I'm seeing none.

Well, Mr. Kobly, Mr. Graham, Mr. Ferguson, and Mr. Creedon, thank you very, very much for taking time out of your very busy schedules to be here to make your presentations and respond to our questions. Thank you, gentlemen. I really appreciate your presence.

11:40

Well, I would like to ask the committee if you have any objections to dealing with number 5 right now instead of waiting till the end of the presentations today since we still have about 25 minutes to go before the break. Any objections? No? Great. The first item under number 5 is the motion, Mr. Hehr's motion.

Kent, are you still with us?

Mr. Hehr: Yes, I am. Thank you very much. You want me to just go forward with it right now?

The Chair: Yes, please. Your motion has been circulated, but my understanding is that you have a small amendment to it. Would you like to go ahead and read it into the record?

Mr. Hehr: Well, I don't know whether it's a small amendment. Maybe I can seek guidance from people like the table officers who are here, Dr. Massolin or possibly legal counsel or the like, to advise me on this. You know, from our presentations here this morning we have competing views of high-speed rail and whether it's going to be cost-efficient for government to do it and whether public dollars should be put into other investments like at the city or other levels and the like. My understanding is that there have been two companies out there who have made presentations to the Alberta government that indicate that they could do the high-speed rail project without any government money. Okay? That, to me, seems like – does that need to be heard at this table? There are competing views and competing thoughts out there on whether this is possible.

In any event, I will make my motion, and hopefully we can discuss it, and if there are any amendments that need to be made, then I invite people to assist me in making them at that time. The motion is there, and I'll read it out for the record.

The Chair: Read your motion, please.

Mr. Hehr: That Magnovate and Alberta High Speed Rail, two companies with proposals to build a high-speed rail link between Edmonton and Calgary without any financial assistance from the Alberta government, be given the opportunity to present to the Standing Committee on Alberta's Economic Future at – and I have the last thing in front of me, and I've missed it, so bear with me.

Karen, do you have that?

Mrs. Sawchuk: Mr. Chair, I can read the balance in, just to finish off the motion: on panel 5, scheduled for Wednesday, February 5, 2014.

Mr. Hehr: Thank you very much.

Mr. Cao: Can you read the whole motion again, Karen?

Mrs. Sawchuk: Sure. I can do that. Mr. Hehr moves that Magnovate and Alberta High Speed Rail, two companies with proposals to build a high-speed rail link between Edmonton and Calgary without any financial assistance from the Alberta government, be given the opportunity to present to the Standing Committee on Alberta's Economic Future on panel 5, scheduled for Wednesday, February 5, 2014.

The Chair: Any discussion on the motion? Yes, sir.

Mr. Stier: Yeah. Although I was not present at the earlier meetings, it is my understanding that this subject was brought to the committee working group previously and that, in fact, these companies had made some sort of approach in this regard and that the intent to go ahead was denied. I'm wondering if this is something that Mr. Hehr intends to take back to the working group or the committee as a whole or if this should be an in camera session with the working group.

The Chair: Well, he's bringing it to the committee as a whole right now, and we will have a discussion and decide.

Mr. Stier: Okay. Well, those are my comments regardless, Mr. Chairman.

The Chair: Actually, this is totally a committee decision. It's not the working group's decision.

Mr. Dorward: I'm not in the working group. Is there anybody in the working group that could speak to the issue, whether it was raised? Was there any negativity? I'm thinking positive about this situation. I'd like to hear somebody tell me why they thought in the working group that it might not work if that was the case.

Ms Olesen: I was part of the working group, and I don't recall this coming up. Unless there was something that I missed, I don't remember ever rejecting anyone.

Mr. Fox: I was there in the working group. I actually brought this up in the working group. I brought this forward because they had actually presented to the government.

The inclusion in 5 was about companies that have actually built high-speed rail. These companies haven't built a high-speed rail line, so we were looking for information back from companies that had actually completed projects. That's what we had talked about in the working group.

The Chair: Okay. Mr. Dorward and Mrs. Sarich.

Mr. Dorward: Well, I reiterate my support for them presenting because I assume they have levels of expertise that we'll determine when they come and sit before us. So I'm fine with that.

The Chair: Mrs. Sarich.

Mrs. Sarich: Thank you, Mr. Chair. I guess there's a bit of curiosity for me on what the need would be to have these presentations in camera. Like, I'm just struggling a little bit. Somebody had mentioned an in camera presentation.

Mr. Fox: This isn't in camera.

Mrs. Sarich: No. It wasn't you who raised it. It was . . .

The Chair: Mr. Stier.

Mrs. Sarich: Yeah. Mr. Stier.

Mr. Stier: Well, in response to that comment, with respect to everyone here, again, I was not part of that working committee. I didn't know its rules and how it worked, but it was just something that I perceived because of the matter before us. Then there was apparently, according to some others, a denial of the request. It may have been something that they had discussed in private, not in front of the whole committee. Not knowing that, I'll stand aside and hear what the rest of the comments are. That was the background for my suggestion.

Mrs. Sarich: Just to close, Mr. Chair.

The Chair: Sure. Go ahead.

Mrs. Sarich: I don't have any difficulty with these two organizations coming forward to provide a presentation.

The Chair: Great.

Mr. Cao.

Mr. Cao: Thank you, Mr. Chair. The only thing that I have, my question, is regarding: do we have time for it? That's always the issue. Once we have time, then I want to listen.

The Chair: Okay. I will ask the clerk to talk on the timing issue here.

Mr. Cao: Okay.

Mrs. Sawchuk: Thank you, Mr. Chair. Well, one of the other issues, 5(a) on our agenda, is this panel. We have three confirmed presenters for that morning. The suggestion is that these two additional groups would work in with the three now. One of the other groups that we were really hoping to get and were working very hard towards, that were on the list that was circulated to the committee previously, was SNC-Lavalin. We've had a lot of issues trying to get a hold of the appropriate party within that company, and on the chance that they may not be able to participate, there were a few other options. One of the ones that research had come up with was Amtrak. I can turn it over to Dr. Massolin to address that specifically. If we were to go with the three we have plus the two additional, it would give us five, which is exactly what we had this morning, and possibly one more.

The Chair: As far as I know, we haven't heard anything from SNC-Lavalin up until this moment, so chances are that we might not hear from them.

In regard to the timing question that you asked, Mr. Cao, I think we have the time to accommodate these two companies. The other thing is that I remember discussing them at the working group committee.

Mr. Fox: Time was one of the issues of the working group.

The Chair: Time was one of the issues. The other thing: really, I didn't have enough information on these two companies. I think this new motion that these companies can come and make a presentation and are able in a way to build without any government financing – I would like to hear that.

Mrs. Sarich.

Mrs. Sarich: Thank you. Just a clarification on the other one that was suggested by the clerk, on Amtrak. Are we looking to include them as well if we have some space?

The Chair: We will deal with that after this motion.

Mrs. Sarich: Okay. Thank you.

The Chair: Now, any other discussion on the motion?
Yes. Mr. Stier.

Mr. Stier: Yes. Sorry. Just for one last kick at the cat here, there are numerous parties that we could hear from, so are we going to open that up again to more? To my understanding, there are an awful lot of various companies we could hear from.

11:50

The Chair: I mean, you know, we have been contacting a lot of people from around the province and around the country, and we have given them ample time to agree to come and present in person or in written submissions.

Mr. Stier: Okay.

The Chair: And, you know, not all of them have answered us. I'll say that. All that we have confirmed for that session is Siemens Canada Limited – right? – Canadian rail research laboratory, and Bombardier. These are three presenters and, as I said, I can see no harm done in allowing these two companies, you know. The only thing that's really catchy in their presentations is that they can do it without any government money. I would like to see how they could do that.

Mr. Stier: Fair enough. I stand aside. Thank you for clarifying. I just didn't know how many we had sent out.

The Chair: Okay. So if there's no more discussion, I will call the question. All in favour? Any opposed? Well, the motion is carried.

I have been advised that Dr. Phil will be talking about the possibility of adding Amtrak instead of SNC-Lavalin. Would you like to say a few words?

Dr. Massolin: Thank you very much, Mr. Chair. Maybe I can clarify. I think the situation was as follows. I think it was that Loram out of Minnesota declined the invitation to attend the committee meeting but instead made a recommendation that Amtrak present given the fact that while Loram itself does a lot of track maintenance, maintenance of the crossings and so forth, they suggested Amtrak because, as committee members probably know, they're an American corporation that operates a high-speed rail line in the northeast United States from Boston to Washington, DC, via New York, Philadelphia, and Baltimore. They have experience in running a high-speed line as well as in understanding the costing, the maintenance issues, the regulatory framework. That was the recommendation. Then we've got a lead for a presenter to the committee from Amtrak.

The Chair: So we have made connections with Amtrak?

Dr. Massolin: Yeah. We just need to follow up. We need the committee to give us their consent, and then we can go forward. Thank you.

The Chair: Do they know about our deadlines and the meetings on the 4th and the 5th? Will we be hearing from them before that?

Dr. Massolin: Maybe Mrs. Sawchuk can comment on that.

Mrs. Sawchuk: Mr. Chair, we've been advising the panelists when we contact them of the dates, and most of them have been very accommodating, especially when we offer them the option of

video conferencing for, you know, outside of Canada and out of province as well.

The Chair: Great. Great work. So we can go ahead and contact Amtrak? Agreed? Okay.

We are on item 5(b) on the agenda, the feasibility of establishing a high-speed rail system in Alberta, summary of issues. All members should have a copy of the summary of issues document. I will turn it over to Dr. Phil to address this item.

Dr. Massolin: Thank you again, Mr. Chair. Just briefly to remind the committee that the committee requested a summary of the issues surrounding the high-speed rail prospective project in Alberta. That summary has been presented to the committee and posted on the website. Ms Robert will give us a high-level brief summary of what that document does and what it contains. Thank you.

Ms Robert: Thank you, Mr. Chair. As Phil mentioned, the summary of issues document has been posted on the internal website, and I'm hoping most of you have seen it. I'll just give you a very brief overview of the things that we included in the summary document.

First of all, I just want to reiterate that the issues identified in the document are not exhaustive in terms of coverage, nor do the descriptions of the issues necessarily completely assess their impact or their potential ramifications. The purpose of this document is to provide the committee with a summary of a number of issues surrounding the development of a high-speed rail system in order to inform as a starting point your review of this issue.

The first part of the document is essentially background information on HSR, which is high-speed rail – I'll refer to it as HSR – that exists in Europe and Asia. There's information with respect to the government of Alberta's actions to date with respect to HSR in Alberta. That includes a brief description of two recent reports that the government of Alberta commissioned to have studies undertaken with respect to HSR. One was completed by the Van Horne Institute back in 2004 and includes capital cost estimates, operational cost estimates, and various other things. The Van Horne Institute also produced a capital cost update in 2011. Details of that cost update are included in appendix B of this document. There's also a brief description of another report the government commissioned by the TEMS corporation, and it was an investment-grade market analysis, an economic analysis of establishing high-speed rail in Alberta. It does not include capital or operational costs.

There's also information with respect to available HSR technology options that have been considered in these studies. That's in figure 1 on page 6. It's a bit of a table showing you some of the different options. Then there's a brief description on HSR that exists in North America, the Boston to New York, Washington HSR system that's operated by Amtrak and the planned HSR system in California; that is, plans for HSR between L.A. and San Francisco for the year 2029. That's the background information.

With respect to the issues to be considered, I just want to start by saying that the issues have been organized by subject, and I'll highlight some of them for you. But before I get into that, I just want to say that the costs and benefits of an HSR system are greatly affected by the speed of the HSR technology that you choose and by the alignment that you choose. As the speed goes up, the price goes up, the operational costs go up, but the revenues also go up because the ridership goes up, the frequency of trips goes up, the ticket prices go up. So if the government is going to

invest in HSR, it needs to decide how it's going to do it and what's going to have the most positive economic impact.

The other variable is the route or alignment that's chosen. If the existing CPR alignment is chosen, that means the track is already built. It would just need to be upgraded. That would be less expensive than building a new track, but it limits your HSR technology to the lowest level, the 200-kilometre-an-hour technology. You can't have mixed traffic, freight and HSR, higher than that speed. Therefore, it's going to be cheaper to build, but you're not going to earn as much money from it. Every one of the issues is affected by those things, the technology and the route that you choose.

12:00

The first set of issues we talk about are economic issues. What are the costs of investing government money into this infrastructure project? What are the costs to other infrastructure projects? Is there deferral of upgrades of bridges and roads and other infrastructure things? You know, if the capital is used to invest in HSR, what infrastructure projects are not being invested in? With respect to benefits, what are the economic benefits: increased employment, income, income tax, et cetera, et cetera?

Then we get into financial issues, the capital costs. Is the government going to invest 100 per cent in this and try to get capital repaid, or is it going to do a P3-style project? The detailed capital costs are broken down in appendix B, the operational cost estimates. One of the largest costs for operational costs is track maintenance. If you use the CPR alignment, the track maintenance costs are less because CPR is already doing track maintenance. They're significantly higher for a dedicated track alignment, which is called a greenfield alignment.

How much revenue are you going to earn? Again, it goes back to what speed of technology you use. What financial structure are you going to use: P3, 100 per cent financing, trying to encourage financing from other levels of government, that kind of thing? Then there are the funding and affordability issues: methods of attracting funding, potential conditions on financing, expected return on capital investment. What's the projected volume going to be along the Edmonton-Calgary corridor? Is it going to be enough to warrant the introduction of HSR? What is the effect on existing modes of transportation for the public? What will be the effect on bus companies and airlines if their traffic or some of it is diverted to HSR?

As I mentioned earlier, you need to make a decision on alignment options. Are you going to use a CPR alignment, or are you going to create a new alignment? What does that mean for crossings across the track? It's understood that at-grade crossings will not be allowed, so tunnels and overpasses and whatnot are going to have to be built. The alignment is going to determine how many of those you're going to have to build.

What about engineering? It's been said in the studies that have been done that the technology used in Europe does not meet North American safety standards. How is it going to have to be adapted to do that?

Canada hasn't actually developed standards and regulations for HSR as of yet because there isn't any HSR here. That will have to be done. It will have to be determined whether Canada does it for this rail system or Alberta does it for this rail system.

Who is going to run the rail systems? Is there going to be a rail authority? Is it going to be the Department of Transportation? Is it going to be a private company?

With respect to the environment, of course, there are emissions to consider if the train is operated by fuel, and according to the professor there are also emissions to consider if it's run by

electricity. As well, there are wildlife issues that need to be considered like wildlife crossings and how they're going to be affected. There's a wilderness. How is it going to be affected?

Then at the end of the document there's sort of a high-level summary in a table that basically reiterates that if the government decides to invest in HSR, the technology and the alignment chosen will affect the capital investment and the operational costs to a large degree. Faster speed equals higher costs but also means increased ridership, greater frequency of trips, and higher ticket costs, which means more revenue. So it's a pretty multifaceted decision.

If you have any questions, I'd be happy to try and answer them.

The Chair: Good. Any questions?

Great. Well, I think that now we will be adjourning for our lunch break, and we must be back here by 1 o'clock sharp. Must.

[The committee adjourned from 12:04 p.m. until 1:01 p.m.]

The Chair: Good afternoon. It's 1 o'clock, and we must begin.

Ladies and gentlemen, today the committee is receiving presentations from a number of stakeholders on the potential for high-speed rail transit within Alberta, and I am pleased to welcome our guests participating in panel 2, the existing service providers.

I would ask that we go around the table and introduce ourselves for the record, and I would also like to ask our two members teleconferencing to introduce themselves. I will start. I'm Moe Amery, MLA for Calgary-East and chair of this committee.

Mr. Fox: Rod Fox, MLA for Lacombe-Ponoka and vice-chair of this committee.

Mr. Quadri: Sohail Quadri, Edmonton-Mill Woods.

Ms Pastoor: Bridget Pastoor, MLA, Lethbridge-East.

Mr. McDonald: Everett McDonald, Grande Prairie-Smoky.

Ms Olesen: Good afternoon. Cathy Olesen, MLA, Sherwood Park.

Mr. Cao: Good afternoon and welcome. MLA for Calgary-Fort, Wayne Cao.

Mr. Dorward: Welcome. My name is David Dorward, and I represent the good people of Edmonton-Gold Bar.

Mr. LoVecchio: Good afternoon. My name is Mike LoVecchio. I'm director of government affairs at Canadian Pacific Railway.

Mr. Chandler: Good afternoon. My name is Warren Chandler, senior manager for public and government affairs with CN.

Mr. Stepovy: Hi there. I'm John Stepovy, general manager with Red Arrow Motorcoach.

Mr. McNaney: Mike McNaney, VP of environment, fuel, and government relations at WestJet.

Mr. Barnes: Good afternoon. Drew Barnes, MLA, Cypress-Medicine Hat, substituting for Ian Donovan.

Mr. Stier: Hi. Good afternoon. Pat Stier, MLA for Livingstone-Macleod, substituting for Rick Strankman, Drumheller-Stettler.

Mr. Rowe: Good afternoon. Bruce Rowe, MLA for Olds-Didsbury-Three Hills.

Ms Robert: Good afternoon. Nancy Robert, research officer.

Mrs. Sarich: Good afternoon and welcome. Janice Sarich, MLA, Edmonton-Decore.

Ms Dean: Shannon Dean, Senior Parliamentary Counsel and director of House services.

Ms Sorensen: Rhonda Sorensen, manager of corporate communications and broadcast services.

Dr. Massolin: Good afternoon. Philip Massolin, manager of research services.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Thank you, all.

We have two members participating via teleconferencing. Please introduce yourselves for the record.

Mr. Hehr: Kent Hehr, MLA, Calgary-Buffalo. Thanks for coming.

Mr. Luan: Jason Luan, MLA, Calgary-Hawkwood. Welcome to you, all.

The Chair: Ladies and gentlemen, thank you very much.

And thanks to our presenters. You will each have 10 minutes for your respective presentations, and then I will open the floor for discussion from the committee. We will follow the order on our agenda, starting with Mr. McNaney from WestJet. I would like to ask you to go ahead with your presentation at this time.

WestJet, Red Arrow, Canadian National, Canadian Pacific

Mr. McNaney: Thank you very much. My presentation is quite brief. I want to thank you for the opportunity to appear today. I will very strenuously state that I'm not an expert in high-speed rail but reasonably conversant in aviation.

Since WestJet's launch 18 years ago we are very proud of our role in connecting Albertans and proud of our ongoing investment in the province. Last year we commissioned a study by Rick Erickson and associates in Calgary to look at the economic impact of WestJet based on 2012 stats on a direct, indirect, and induced aggregate impact basis. In 2012 WestJet created just under 23,000 jobs in the province, \$3.1 billion in economic output, and \$1.5 billion in labour income.

Currently we do nine flights a day between Calgary and Edmonton. In addition, over the past several years the number of flights we operate in total from both airports has been growing at a rate of approximately 10 to 15 per cent per annum. We, of course, also serve Grande Prairie and Fort McMurray – a couple of other destinations that I've been lobbied on this morning we will take a look at, I'm sure; I got the plug in there – and recently announced significant expansion of our Fort McMurray operations with new Encore routes to Kelowna and Vancouver. We have also added new nonstop flights to Las Vegas, year-round service to Toronto, and frequency increases to both Calgary and Edmonton from Fort Mac. [interjection] Sorry?

The Chair: I took a flight a few days ago.

Mr. McNaney: Very glad to hear that. Thank you.

Mr. Dorward: You just flew me to Hawaii, and I'm going to Palm Springs in two weeks.

Mr. McNaney: This is turning into a great WestJet commercial. I'm really glad I came here today. We're doing Dublin in a couple of months, too, if anyone is interested in that.

Clearly, we have a significant degree of business activity and investment in the province. Turning to the issue at hand, generally speaking, high-speed rail between Calgary and Edmonton would represent competition for WestJet and other air operators. Keeping in mind that I am speculating on a marketplace 10 to 15 years out, the most probable outcome of high-speed rail would be a reduction in flights and capacity between the two cities as carriers reduce capacity, assuming that more and more consumers would opt for the high-speed rail.

The reduction in capacity could potentially go beyond simply reducing flights on that city pair. Airlines rely on a mix of local as well as flow traffic to make routes viable. On Edmonton-Calgary, for example, local traffic would of course be those folks who are ending their journey in Calgary. Flow would be the guests on the flight who are then connecting onto another WestJet flight. It's this mix of local and flow traffic that is a crucial part of airline network and revenue management. If local traffic drops or disappears and service is eliminated or reduced, then there is the potential knock-on effect as far as impacting the financial viability of subsequent flights that rely on that flow traffic to be commercially viable.

Now, the challenge, of course, can be made to WestJet that it is not written in stone that we would lose traffic and that this would be a negative effect for us. Our history over the past 18 years has been quite robust in dealing with competition. Hopefully, that would be a potential outcome, that we would be able to hold our own.

What concerns us the most, though, about whether or not that could occur would be the extent to which the operation of high-speed rail would be funded through the public purse. Rightly or wrongly – and you can guess what aviation's view on the matter is – aviation infrastructure in Canada is very aggressively on the user-pay model. You see it when you purchase a ticket. The impact of this user-pay model has been to ostensibly create a floor price for an airfare in Canada of about \$40 to \$50 to cover the various infrastructure costs and security. In that environment, if we were competing against an entity that was receiving funding from the public purse on an ongoing basis or a large part of that infrastructure cost was being covered through public funds, we would be very hard pressed to compete on an ongoing basis.

To conclude, our general view is that public investment in high-speed rail could potentially undermine the market-based approach we have taken over the past 18 years at WestJet and the approach we've taken to build our airline. We do think it would undermine the user-pay approach that we have to live with. Ultimately, we do believe that the policy environment and cost environment should be a major consideration for this committee and any government looking at potentially contributing public funds that may ultimately favour one mode of traffic over another.

Thank you.

The Chair: Thank you very, very much.

Now I will turn it over to Mr. Stepovy from Red Arrow Motorcoach.

Mr. Stepovy: I thank you very much for the opportunity today. We've got a very brief presentation as well. I put together a few PowerPoint slides just to outline who we are and what we do and then, at the end, sort of our position on high-speed rail.

Red Arrow Motorcoach has been servicing Alberta for 35 years now. We're a Calgary-based, privately owned, family-run business. We have as a group 35 revenue vehicles, and we employ

over 150 people in 10 locations throughout the province. We have our 10 core values that sort of lead and guide us in our everyday business, safety being our number one core value. It also, with our Safely Home branding, reinforces our deepest commitment to safety. It's who we are and what we do, and it's really the ultimate promise we make to the communities, each other, and our passengers.

1:10

Our industry-leading coaches. We use Prevost coaches. As well, we offer our drivers industry-leading training programs, including our mobile training unit, which is a driver simulator similarly used in the aviation industry. Our coaches, as you can see, for those of you who have maybe not travelled with us in the past, are business class, all leather seats. We have privacy row seating. We have seat belts in all our coaches. The newer ones, in the last four years, have three-point seat belts, power, Wi-Fi, USB ports, movies played, satellite radio, local radio, snacks, hot and cold complementary beverages, and, of course, a lavatory.

In 2011, when Alberta went to bus modernization, basically deregulating the ground transportation industry in the province, there was an opportunity that we saw for an economical service that still can offer a high level of comfort, convenience, and safety to travelers within the province. Thus we started our eBus brand. Our eBus brand basically holds 48 passengers, has power and Wi-Fi complementary, reclining seats, and seat belts for safety. It's still the same Prevost coaches that we use, just in a slightly different configuration.

So you can see the marketplace as we see it. We offer a high level of service because our focus is on the travelling public, not on parcels or packages, and we're able to offer various options for the marketplace.

You can see that our annual capacity is almost 600,000 seats in our corridor. You can see our average fares on Red Arrow and on eBus, and eBus was positioned to offer a very economical fare, so we see a lot of student traffic. You can travel between Edmonton and Calgary for \$30.

Because we're an Alberta company, we understand the marketplace. You know, we have the flexibility to respond to ever-changing demographics and demands as cities and regions continue to grow. For instance, in 2010 we began direct service into the Calgary International Airport because over the years we have seen a lot of demand from our passengers in Edmonton and Red Deer. We started a Lethbridge service. We service the university in Lethbridge as well as some outskirts of downtown into Calgary and direct to the airport. Recently we also launched our eBus service direct to and from the University of Alberta. As well, being that we use the highways, we have flexibility to adapt and change to stops in various communities, again, as they grow.

In the December 3 committee meeting Ms Wong stated that possibly half of Red Arrow ridership would divert to rail. In fact, we believe the number would be greater. We believe high-speed rail would divert enough ridership to a level where it would essentially end our business.

For 35 years we've served the province proudly, investing multimillions of dollars throughout Alberta. You can see \$8 million in annual wages, over \$1 million in various rents and leases of facilities, and over \$10 million in additional expenditures throughout the province. This is all based on today's dollars.

That's it. Thank you.

The Chair: Thank you very much.

Now we'll move over to Mr. Chandler from CN. I understand that you have a PowerPoint presentation.

Mr. Chandler: Yes, we do, Mr. Chair.

Thank you, everyone, for your time. It's a pleasure to be here. We'll start with our first slide, which is what the CN network looks like, for those of you who aren't familiar with the railway company. We transport a wide range of products all across our 23,000-mile network. Over \$250 billion worth of goods is moved on our railway in Canada alone. These products include forest products, metals, minerals, grains, fertilizers, automotive products, petroleum and chemicals – yes, we do move crude oil out of this province, and in fact we also move a little bitumen as well – coal, and a variety of consumer goods, all in our intermodal containers. These products are essential to the economy and to communities across Canada and the United States. CN is also headquartered in Montreal. Despite a lot of people who claim otherwise, we are a Canadian-owned company as well.

In the next slide, bringing it closer to home, CN operates roughly 2,600 route miles. Railroads still operate in miles, not kilometres, so we have everything in miles. Don't think kilometres; actually think miles. Two hundred and twenty-one of those miles comprise our Camrose and Three Hills subdivision, which is the line that CN operates between Edmonton and Calgary.

We employ just over 2,600 people in Alberta, and we're constantly looking for more, so if you know of anyone who wants to be a railroader, we actually are hiring.

Annual investments in Alberta are roughly \$300 million, and our local spending in this province is roughly \$878 million.

In 2005 we went out and purchased the lines that were operating in northern Alberta, the short lines: the ANY up to Fort McMurray; the Savage, that was running up to Grande Prairie; and the last one that runs all the way up to Hay River, Northwest Territories. We're the only railway that does service the Northwest Territories and the only railway that also services Fort McMurray and the oil sands.

It should also be noted that, like our counterpart from WestJet, railways pay 100 per cent of their own infrastructure costs. CN in 2013 spent \$2 billion of our money on our own infrastructure. We're about a \$10 billion company, so that works out to roughly 20 per cent. Railways are very capital intensive. Keeping your network in shape is good business, and there's also a very big cost.

Rail operations between Calgary and Edmonton. Currently for CN we operate about four trains per 24-hour period on our Three Hills subdivision, which is the line between Lacombe county and Calgary. The main commodities that we transport on this line are grain, lumber, intermodal, and mixed freight. We operate six trains per 24-hour period on the Camrose subdivision, which is our line that begins in Strathcona county and then terminates in Lacombe county. The main commodities on this line are grain, lumber, intermodal, crude oil, propane, and some mixed freight.

The next slide has a rough map of what our lines in Alberta look like. You'll notice that the line between Edmonton and Calgary goes all the way to Camrose and then back down through, you know, Bashaw, Mirror, that sort of thing. We're going a little bit east of the main corridor that our counterparts at CP have between Edmonton and Calgary. It should be noted that we pass through 27 communities between Edmonton and Calgary, and in many of those communities we go right down the centre.

The train speed on our Camrose and Three Hills subdivision outside of these towns is about 40 miles per hour. To give you an idea of why there's no passenger traffic on our line right now, it's about an eight-and-a-half-hour trip for a nonstop train from Edmonton to Calgary. If that makes sense for anyone to pay money to take eight and a half hours – we just don't think it does.

The rail lines between Edmonton and Calgary. This is where, I guess, my main message is today. We have 166 public railway crossings along with numerous farm and private crossings. When you take them all into account, that is 290 at-grade road rail crossings. The prairie provinces have a very high number of road crossings, and every one of those crossings has vehicles that go through it. Unfortunately, every single year without fail I get a phone call about someone who has been hit at one of those crossings.

This brings us to my last slide, I guess, which is just the message that we would leave you as a freight rail provider. Safety has to be of the utmost importance, not only for CN; I think my counterpart at CP would say the same thing. Customers and the public demand it. Railways have been in the public eye, I think, more than anybody outside of pipeline and energy companies thanks to a very tragic incident that occurred last July in Lac-Mégantic, Quebec. Safety has to be our top priority, not only for our crews, not only for the public but also for the communities that we operate through.

CN does not operate passenger traffic. We don't have a passenger arm of our operations, but we do partner with service providers, particularly Via, GO in Ontario, AMT in Montreal, and other providers. They may use our infrastructure, our tracks, or else they may look at purchasing our lines from us as well.

As I indicated, the prairie provinces have the highest number of at-grade crossings. I can't speak for CP, but at CN there's a high number of at-grade crossings. I'll put that into perspective in terms of numbers that I think aren't public enough. Last year in Canada 55 people were killed, not just injured but killed, in collisions involving a train. That's 55 people that were involved in entirely preventable incidents. There have been hundreds that are injured every day, whether it's the vehicle or the individual. We can't stress enough the importance of rail safety but also the importance of being rail aware.

1:20

When we operate a 40-mile-per-hour train and we go through a crossing, yes, we have to whistle at those crossings to let people know, but people still take those chances. When we're talking high-speed rail, I think the message that I want to make sure you all get delivered is that safety has to be the top priority. We're going maximum 40 miles per hour. If you're talking about trains operating at 200 miles per hour, imagine how quickly that train is going to hit that crossing. Those need to be addressed, and I think that is the message that I will leave with you today.

I look forward to any questions that any of you may have following the last presentation. Thank you.

The Chair: Well, thank you very much, Mr. Chandler.

Now we will move over to Mr. LoVecchio, representing Canadian Pacific. You do have a PowerPoint presentation?

Mr. LoVecchio: Yes. Thank you.

The Chair: Your PowerPoint presentation has been forwarded to all members teleconferencing today.

Please, go ahead.

Mr. LoVecchio: Thank you, Mr. Chair. Good afternoon, committee members. I greatly appreciate the opportunity to be here today.

I thought I'd start with CP's five key priorities, the principles under which we operate our railroad. Those are, first and foremost, providing service to our customers, also controlling our costs, optimizing our assets – and this is something we're going to talk a little bit about today – and, as Warren spoke about,

operating safely. This is critical to the operation of the railroad. Finally, developing our people to their fullest achievement.

A little bit about CP's network. We operate in six Canadian provinces and 13 American states. Among the large freight railroads in North America, the class 1 freight railroads, we are the sixth largest. CP, like CN and, apparently, WestJet, completely funds its infrastructure itself. Our capital budget in 2013 was \$1.2 billion.

What we look for from government in particular is that governments properly fund their own infrastructure, especially where it interacts with our infrastructure. As Warren was mentioning, that's at the level crossing. I'll get back to that in my concluding remarks.

I did want to speak to you about where we do operate higher speed rail services. In three locations across North America we have intercity passenger services which operate on our lines. Those are between Minneapolis and Chicago; between Smiths Falls, Ontario, and Brockville; and Montreal to Albany, New York.

A little bit of background for you. Within the industry when we speak about high-speed rail, we're talking about train speeds above 110 miles an hour. Higher speed rail would run roughly 80 miles an hour to 100 miles an hour, and conventional would be below 80 miles an hour. The only higher speed rail that operates on our tracks is on a line that is dedicated to passenger services running between Smiths Falls, Ontario and Brockville, Ontario. Other than that, the intercity passenger services that operate on CP trackage are operating at conventional speeds.

A little bit about us in Alberta. We have the most direct routing, as Warren alluded to, in Alberta between Calgary and Edmonton. As you're on highway 2, you see our Red Deer subdivision and parts of our Leduc subdivision. All told, it's about 180 miles between Calgary and Edmonton at track speeds ranging up to 55 miles an hour. We pass through every community that the highway passes through. That would include Wetaskiwin, Leduc, Lacombe, Innisfail, Bowden, Carstairs. In each of those communities the only one that has an overpass right now over the main line is Wetaskiwin, and that is because the hospital is on the east side of the tracks and most of the community is on the west side of the tracks. That was constructed a number of years ago.

In terms of how that impacts the communities, all of you who have mayors who have communities with tracks in them have heard from your mayor about the crossing. It is a safety risk. It's a manageable safety risk. We have very, very clear and concise rules about operation as we approach a crossing, and we follow those, but we can't predict what somebody driving their vehicle is going to do, and people do make mistakes. As you can imagine, those mistakes get magnified the faster the train is going. But I will make the point that whether a freight train is travelling 20 miles an hour or 50 miles an hour, it's not going to stop in time for a vehicle occupying that crossing. It can take up to a mile for a fully loaded freight train to come to a stop.

In my view, the question that this committee needs to ask itself is: what is the value proposition of high-speed rail versus fully investing in Alberta's infrastructure to support not only people but the movement of goods and the movement of people? That's the thought I'd like to leave you with today. In terms of our traffic, what would we require for supportive infrastructure at a minimum? We would require the complete grade separation of our main line, and that would be the starting point. There would also be upgrades necessary to the signalling and switching systems. These are not things that we need to operate a freight rail system; these would be for passenger rail. Think billions, and add on from there.

In conclusion, I'd just like to go through again – Canadian Pacific is in the goods movement business. We strongly suggest that you need to consider a business case which considers the needs of higher speed freight and passenger services. Passenger services operating on CP tracks, similarly to CN, lease track time from us. All higher speed rail services require proper grade separation.

The final thought I would leave you with is that currently no public passenger rail service in Canada is consistently profitable. Typically they require a public subsidy in order to operate.

With that, I look forward to your questions and appreciate your time.

The Chair: Well, thank you very, very much for your presentations.

Now I will open the floor to questions and discussion. Committee members, if you have questions or comments, please give me a signal, and I will add your name to the speaking list.

I will start with Mr. Dorward.

Mr. Dorward: The last shall be first.

CN, do you have anything comparable? I love maps.

Mr. Chandler: We do, yeah. We're just a little short right now because we've got a lot of municipalities that are wanting the same thing, so I have 500 in Regina for my SUMA meeting next week. I'll get you some, absolutely.

Mr. Dorward: Oh, good. It would be really good to see that. Even opening that up answered a question that somebody had asked me.

I heard just now that Canadian Pacific is prepared to do what you just said should be done. Is this correct? Is Canadian Pacific going to step up and get that whole Calgary to Edmonton link without any interaction with cars and with all those level crossings dealt with?

Mr. LoVecchio: No. That is not our infrastructure. Our infrastructure is the tracks.

Mr. Dorward: Taking that as it were – if CP saw a definitive marketplace for traffic in that area, you would maybe consider stepping up to the plate and doing that. Is that fair to say?

Mr. LoVecchio: I would point you towards some work that has occurred in British Columbia. There is a series of investments that have been made under the rubric of the Pacific Gateway that includes nine large grade separations on tracks running out to Deltaport and Westshore Terminals, which are major export terminals. There's also work that's occurred in North Vancouver above tracks that CN owns and above tracks that we own in Vancouver harbour on the Vancouver side of the water.

1:30

Those investments were funded by multiple parties: the federal government, the provincial government, municipal governments. CN and CP both have money in those projects as well. Under the Canadian Transportation Agency guidelines we can be approached to put some money into infrastructure. Typically we will because, to your point, it is in our interest to have the most efficient line we can have. But would CP front the cost of this? Absolutely not. I would suggest to you this is 50 to 70 years of underinvestment on the part of municipalities and the provincial government in particular. A lot of the roads across our lines are provincial highways. I can tell you in numerous discussions with Alberta

Transportation that they are not particularly interested in building grade separations. They don't see the value proposition yet.

You know, the statistics that Warren cited: this is a reality on the prairies. Given the population growth in centres like Red Deer, centres like even Wetaskiwin, Leduc, it's hard to understand why Alberta's investments have not kept pace on this front.

Mr. Dorward: If in the click of a finger there was the continuous track between Calgary and Edmonton – we're probably not talking high-speed on that rail, but are we talking somewhere between what can be done now and high-speed rail?

Mr. LoVecchio: Yes.

Mr. Dorward: Can you put faster trains on that space, on those rails, or do we have to rip up all the rails and replace the beds and replace the rails and the crossings and everything, or is there a median there somewhere?

Mr. LoVecchio: Certainly, there are upgrades that would be required, but, again, that's part of a business case which gets developed. Would we lease track time to a third-party operator to operate a passenger service? Frankly, that would depend. It's impossible to say yes or no. It's entirely speculative. The precedent is there. There are passenger services, as I noted, which do operate on CP trackage. I will say that the freight traffic between Calgary and Edmonton is growing by leaps and bounds. It was the only segment of traffic during the recession where we did not see any dip in our traffic, and that growth has continued to this day, and it is largely servicing the growth of the oil patch.

Mr. Dorward: Thank you, Mr. Chair.

The Chair: Thank you.

Mr. Cao.

Mr. Cao: Oh, thank you. Thank you for the presentation. I share the concern about a public investment competing with private-sector investment. I hear that clearly. The CP Rail and the CN Rail, I have a feeling that right now – I mean, your operation is freight trains carrying goods and not people, so that's the focus. My question is: do you have any kind of plan to think about it, or is it just not on your horizon?

Mr. Chandler: Well, Wayne, rail is a volume business, so one of the things we typically hear is someone saying, you know: it would be really nice to put this on a train and move it. But the reality is that with the costs and everything else, it doesn't make sense if you're moving a couple of cars a day. You truck it. So if you're moving one container from Vancouver to Calgary, you're going to truck that container. You're not going to throw it on a train. If you're moving thousands of containers, then you start looking at rail.

Speaking as a volume business, for passengers it's the exact same thing. You look at what Via is experiencing right now – and I don't want to speak for Via. I'm not sure, Mr. Chair, if Via is coming to present or not. Via is cutting their service dramatically.

The Chair: No, I don't think they are coming.

Mr. Chandler: Okay. We're not experts in the passenger business, but for a customer to approach us and say, well, "We'd like to look at moving people between Calgary and Edmonton on your rail line," it would have to be a pretty interesting business case not for us to accept but, I mean, for them to be able to afford it. In Ontario I think there are some successful examples between

the Montreal-Toronto-Ottawa corridor, but that's where most of the people are.

People often like to compare, you know, to Europe, but in Europe not only is the population and the density much higher; the passenger railway is a much more cultural experience. So people are more willing to get on to a train in Europe because that's just what they do. A lot of the things out west – people like to take the Via for the experience or they'll take the *Rocky Mountaineer* for the experience of it, not for the transit opportunities. I think for a lot of people, they're not quite sure exactly what they would do when they get off. I mean, if Via is stationed at – I don't know if you know where it is in Edmonton in our yard. The only way to get off a Via train to downtown would be a taxi. So then you're taking that cost on there.

The reality is, you know, that if anyone were to approach us, yeah, we'd take a look at it, but, like Mike spoke earlier, every passenger service that seems to be operating is doing so with a lot of public subsidies, and they're not doing as well as they could be.

Mr. Cao: Thank you. One more? Just a small supplemental one.

The Chair: Yeah. Go ahead, Wayne.

Mr. Cao: Just on the bus and the air transport. I know that you run the airline using our airport infrastructure – right? – and the bus using our public road infrastructure. You say user pay in that context. I know that we have to pay the airport fees, and on the bus side we, really – I don't know – don't pay. Well, we pay tax on the ticket. That's all. So if we're thinking about high-speed rail for passengers competing with you, if they have to pay the equivalent of an airport fee or infrastructure or other means that the public is invested in and recovers the costs through a ticket, would that be sort of a vision you can compete with or tolerate?

Mr. Stepovy: From our perspective, like I mentioned, I mean, just based on the sheer volume on the corridor and what we see, we couldn't sustain it. If we lose, you know, even starting at half our ridership on the Edmonton-Calgary corridor, let's say – you know, each of our corridors support each other. Our Edmonton-Fort McMurray corridor supports the Edmonton-Calgary corridor, which supports the Calgary-Lethbridge corridor. You take one of those out of the equation, specifically Edmonton-Calgary: that just cuts the support everywhere else, so it's not like we'll be able to continue operating Edmonton-Fort McMurray kind of thing. If we don't have enough people on Edmonton-Calgary, it just won't happen because of, again, the infrastructure needed for us. I mean, we don't operate curbside. We have ticket offices with seating, and we operate a highly serviced business. We take customer service seriously, and you need that infrastructure, that would really go away.

Mr. McNaney: From WestJet's perspective, if it was operating on a commercially viable basis and there was no public subsidy, we would just have to duke it out with them on a level commercial playing field.

Mr. Cao: Thank you.

The Chair: Thank you.

Mr. Barnes.

Mr. Barnes: Thank you, Mr. Chair. Just a series of things. First of all, I too am very, very concerned about public money going into something that is competitive now and working. We're hearing numbers from this morning of \$3 billion to \$20 billion, the capital

costs, maybe going higher and an ongoing operating. It looks to me like if we have to cross 280 grades, that could be \$3 billion all by itself to do that right. So the total cost of this is of great concern.

Mike from CP, I'd like to ask you. The three – they're not high speed – the Minneapolis to Chicago, the Smiths Falls to Brockville, and the Montreal to Albany. I'm wondering if you could tell me a little bit about them, if they are subsidized right now by governments, what the profitability of them is like, what the success is like, what the safety is like. Then a further question to either you or Warren. We've heard that there might be a couple of groups that are willing to do this privately, without government assistance. We were also warned to be skeptical of that. Further to Warren's comments about short-line railways and what CN has taken over in the north, are there short-line railways anywhere in Alberta, anywhere in Canada that are successfully operating on their own now, or are we looking at situations like that unfortunate Quebec situation time and time again?

Thank you.

1:40

Mr. LoVecchio: Drew, thank you. Answering your first question first, the three operations: the two in the United States are Amtrak operated, and the one in Canada is Via. Similar to CN, CP does not operate any passenger services itself. I am not as familiar with Amtrak as I am with Via, but Via certainly operates at a public subsidy, and I believe Amtrak does as well.

As to the success of short lines, absolutely there are successful short lines in this country. Saskatchewan actually has a relatively large number of short lines which feed us and feed CN as well, and they're doing very well. But I would caution you: if you are looking at a map between Calgary and Edmonton, there is no short-line service that exists between Calgary and Edmonton. CN has a main line that runs north to Edmonton from Calgary, and we have a main line that runs north from Calgary to Edmonton.

Mr. Chandler: I'll just add that Saskatchewan has about 13 short lines, but they also have a much different program through their provincial government in terms of when those short lines get set up. Their provincial government gives I think it's a tax-free loan to the organization to operate that short line. They have been successful, but there have been some public subsidies put into that.

Us as the class 1s – they offed those short lines, and we recently finished an acquisition two years ago in Saskatchewan with the company, and they feed the grain cars right into us. There are certain areas where a short line can operate more effectively than the class 1 can, depending on the amount of traffic. There are also some areas where municipalities want to look at a tourist train or other sorts of things. But in some areas in Saskatchewan, most of them are grain organizations that look to make a conglomerate and then purchase the short line.

Also, with the exponential growth we're seeing in crude and crude transload terminals, a lot of these short lines are starting to see that as well. The challenge they're going to be facing is that because railroading is such a very capital-intensive business, for a short line they don't have the ability to invest millions and billions like the class 1s do, so they're going to have to look at the cost-benefit analysis of upgrading their track if need be to take some of these heavier loads. There's not a much heavier load for a freight railway than bitumen and some of this heavy crude, and now we're moving a lot of frac sand up into Everett's area, and that's pretty heavy stuff as well. So the investments that we have to make in these lines are not just in the millions; they're in the

hundreds of millions. That's just to keep the trains moving at, like, 25 miles per hour.

The Chair: Thank you.

Mr. McDonald.

Mr. McDonald: Thank you. A comment to Mike. You talked about an unfair advantage if we use public money. You know, in the airline business I understand you have a fee, a ticket fee for improvement for the airports, but who built them? Who built the international airports? You know, there was a capital investment that's been put out by somebody, and I'm assuming it was public money at the time that built the international airports in Edmonton and Calgary. Grande Prairie was federal at one time and moved over. But, I mean, public money invests in transportation and has – the railroads: a quarter out of every township was given to them as real estate. That was certainly all public money that gave them the roadbed over at the turn of the century. So I think there is a point that the government does invest public money into transportation.

Mr. McNaney: It does into transportation. The federal government of Canada ostensibly got out of the airport business in the late '80s and early '90s, so the airport improvement fees that you see on the ticket are to cover the costs of certain capital builds that the airport authorities have done. There are no federal funds for that. An airport authority obviously would be able to speak a little bit more passionately about it than I could. But, ostensibly, over the past 20-plus years all the capital build you see at the airports are not public funds. They are the flying public. We put it onto the ticket and collect it on behalf of the airport authority and then remit it to the airport authority.

Aviation is, again, rightly or wrongly as far as the federal government is concerned, very, very ferociously user pay. You see it in security. You see it in navigational systems, Nav Canada. Our competitors to the south do not have that model. They have a very direct subsidization of airport operations, runway build, et cetera.

I like your sentiment that there always has been, but unfortunately – or fortunately, depending on your perspective – for airport and aviation infrastructure it stopped mid-1990s.

Mr. McDonald: It stopped a number of years ago?

Mr. McNaney: Yeah, and principally because of the cost that it was going to entail. That's why Ottawa got out of that business. They knew there would be ferocious capital expenditure. Since that time period there have been billions spent on the tier 1 airports and then also on the smaller airports.

Mr. McDonald: Okay. Thank you.

The Chair: Thank you.

Mr. Fox.

Mr. Fox: Thank you, Mr. Chair, and thank you to all of you for attending today and presenting to us. I just have one really quick question for the rail operators. What volume of business do you require to make the Edmonton-Calgary lines viable?

Mr. Chandler: That's not a question that we could give you a number on, simply because there's not a volume, and a lot of our contracts with our customers are confidential. We're supplying them a rate. To be honest, we're competitors, too, and we go after that same ocean, you know, the same Chinese shippers. We go after the same companies where we are on the same line. Grain: we're very competitive with each other on grain. There's 20 per

cent of our market in grain that we compete on as well. So to give a number of what makes it viable wouldn't really be feasible, and any number we gave would probably be, you know, just a very pie-in-the-sky number.

For us, we look at our tracks, we look at the customers that want to use them, and we try and make the best offer we can to them to retain that business and meet their needs. In Alberta we're a landlocked province. We bring a lot into Alberta. Calgary is becoming one of the biggest distribution centres in western Canada if not in Canada, so a lot of intermodals are coming into Calgary. Other than that, a lot of products are leaving this province. We're providing a service to these customers to get their product out, whether it's based in Calgary or Edmonton or what have you, and we typically look to work with them to make something make sense.

Mr. Fox: Thank you.

The Chair: Are you done? Okay.
Drew.

Mr. Barnes: Thanks again, Mr. Chair. To Mike from WestJet and John from Red Arrow: just refresh my memory on what you said. Are you guys currently meeting the demand of the traffic between Calgary and Edmonton now, or are there some supply issues like runway time or coaches? Are you adequately meeting the demand that's there for people that want to transport between the two?

Mr. Stepovy: For us, I believe we have, especially with the introduction of the eBus service. We've seen, you know, a steady sort of ongoing growth on the Red Arrow side, and eBus has been growing tremendously over the past couple of years, again, just because it's a safe, economical alternative. We see, like I said, a lot of students and, I think, a lot of young people who are in the workforce, especially around Calgary. They're getting away from having their cars, which was alluded to before. Out west we're still very dependent on our vehicles and things like that, but we're seeing, even with businesses like Car2go in Calgary, that more and more people are using public transportation and other sorts of private means as well. We have capacity still. We're always looking at opportunities where we see demand. Like I said, this fall we started four days a week additional service to and from the University of Alberta to service some additional demand there.

I know it's sort of the long answer to your question, but in short I believe the demand is serviced. There are other companies in the corridor as well.

Mr. McNaney: For aviation, as I said, we're nine flights a day. It's a mix of the 777s and the Q400s. I think that in total, including Air Canada, it's about 22 or 23 flights a day between the city pairs. Are we meeting the demand? Yes.

I'll back it up a smidge. Ironically, that's one of our initial routes from 1996. When we entered the marketplace, we entered it with the stated goal of stimulating demand. We viewed the competition as being the car or people choosing not actually to go anywhere for a given time period, so we came in with prices of about \$40, \$45. Basically, it came to \$50 if you wrapped in all the taxes and fees at that time. With the floor price now that you see, your ability to stimulate demand is sizably reduced. Do we think that if there was a different way of funding aviation infrastructure in Canada, we could actually stimulate more demand on a route of that size both with 777s and Q400s? Most definitely.

That brings me back to my concern about competing against a publicly funded entity that would not have that floor price and

could very well stimulate demand but it would be most definitely to the detriment of commercial operators.

1:50

Mr. Barnes: Thank you.

The Chair: Thank you.
Mr. McDonald.

Mr. McDonald: Thank you. A question to Warren. Going back to what we're really here to talk about, the feasibility of high-speed rail, you talked about the level crossings, the dangers, safety. In order to alleviate that, how would you suggest that being done? Would the rail have to be above ground, a certain height, to eliminate level crossings, or would you see it in a tunnel? If it was your task to come up with the safety on a high-speed route, what would you do?

Mr. Chandler: Well, like Mike said, as the first step, if you had it continuous with no-grade crossings, you wouldn't have the opportunity to have any vehicles cross that line. The conductor would ensure that you wouldn't have to run into a vehicle. Then you still run into the problem of having other trespassers, so a lot of people that would just walk onto the line. Animals, wildlife are a very big issue for railways. You might not realize it, but it can derail a train when you hit a moose. You hear stories – and I don't say this to be comical; I say it sincerely – that moose don't get out of the way when you blow your horn. In fact, a lot of them turn around and charge the train.

It's a reality that train conductors have to deal with. I know CP in Banff has issues with grizzly bears. We don't have that quite as bad through Jasper, but wildlife is a big issue. In Alberta we have cattle, horses, all sorts of animals that could find their way onto train tracks. The last thing you want is a train going 200 miles an hour hitting anything. I mean, anything could cause a problem.

To be honest, I couldn't answer that question because the reality for us is that we operate our trains dependent on how much business we have on that track. On our main line through Edmonton, you know, operating between 40 and 50 trains a day, we're making sure our main line is double-tracked, that it's built to the standards and the speeds at which we operate those trains.

We talk about high-speed rail, but I think, like my colleague said, that when we think high-speed rail, we think anything over a hundred miles per hour. But if you're talking Europe, there are different types of high-speed rail. If you're driving a train 200 or 300 kilometres an hour, there are different factors that would go into it. When I talk to my engineering guys just to get their ideas, they wouldn't accept anything less than no-grade crossings and basically a fence as high as possible, with barbed wire at the top, around the entire thing.

More than that, if a kid does hop that fence and get hit – it's hard enough in our business when you hit someone. We often don't get those staff back. It's hard on everybody at a railroad. Even when you blow the whistle, sometimes the kids have headphones, sometimes they just don't hear, sometimes it's intentional, but it's still a tragedy. Regardless of whose fault it is, it gets attention. It would just be a shame to have people try and bring attention to that issue without trying to address it.

The long answer is that I can't answer that question. I think you'd have to take a look at everything, but the reality is that you'd want to make sure, before that first train left, there was no chance, or at least as minimal as possible, that it would hit anything on the way there, especially a person.

Mr. McDonald: Okay. Thanks.

The Chair: Thank you.
Mr. Rowe.

Mr. Rowe: Thank you, Mr. Chairman. I also share the concern about public dollars competing with private enterprise. I think all Albertans are justly proud of our Alberta-based airline, WestJet. They're known far and wide.

I'm glad to hear you're going to double it, too, by the way. I want to go back.

As well, Red Arrow has supplied a service that's been critical to Alberta, I think, for many, many years. It would be a shame to impact that in any way.

I want to ask one simple question to the two rail concerns here. We don't need to go into all of the reasons why your answer is what it is, but do you see any scenario whatsoever where a high-speed rail could either share your track or your right-of-way in the future? The reason I ask this question is because, in looking at your maps here for both CP and CN, CP especially, that impacts so many small municipalities and towns and villages all the way from Calgary to Edmonton. How could you ever possibly do that? Just a simple yes or no is adequate.

Thank you.

Mr. LoVecchio: It's not a simple matter of yes or no. The towns have grown up around our rights-of-way. When it comes to high-speed rail, we're not in the passenger rail business. We can't answer that question.

Mr. Rowe: But can you share your rights-of-way? That is what I'm asking.

Mr. LoVecchio: Depending on the business case, possibly.

Mr. Rowe: As a mayor and a councillor in a small village I know that rail traffic through these towns is a huge issue. Beiseker is where I live. To think of a high-speed rail train going through Beiseker at 200 kilometres an hour is unbelievable. I just don't see it ever being feasible. I'd just like that confirmed.

Mr. LoVecchio: I take your point, Mr. Rowe. I can't give you a definite yes or no, but I'm probably with you on that point.

Mr. Rowe: Okay. Thank you.

Mr. Chandler: Again, our right-of-way is a lot different than CP's. We go a lot further east. We have 290 crossings. It would be impossible to even make a guess without seeing what the proposal is. Like we said, there are different types of high-speed rail. In many towns our right-of-way wouldn't even be wide enough to accommodate that. Again, without incredible research and a feasibility study and anything along those lines, I can't see why anyone would even look at our line over another right-of-way.

Mr. Rowe: Thank you for that.

The Chair: Thank you.
Mr. Stier.

Mr. Stier: Yeah. Thank you, Mr. Chairman. I'd like to direct a couple of questions if I could to the gentleman from Red Arrow. I know them better as Pacific Western. A couple of decades ago I used to ride the PWT bus from Black Diamond and Turner Valley into Calgary to work downtown. I know the history where PWT had to have that charter run to have a business going in Alberta for the rest of their busing. I've even driven a motorcoach a bit myself, too.

This morning we were talking quite a bit about regional transportation, and we were talking about high-speed rail and how it might be supported by extending the lines out a little bit and serving local bedroom communities and so on. I'm wondering if you might, as you are here now, give the committee the benefit of your knowledge. Perhaps you've been approached about or perhaps you've studied whether, if high-speed rail came in, you could therefore operate a busing service to help with commuter traffic from the bedroom communities. If so, what are your comments?

Mr. Stepovy: Back a few years ago, when this came up, I know that our president and CEO now, Mike Colborne, participated in the study. I mean, initially you would think the easy answer is: "Sure. We'll just become a commuter service." But I think, as we are seeing in Edmonton, Calgary, even in the Red Deer region, as the regions are growing, municipal transit is expanding, highly subsidized, obviously – public dollars go into transit – and their reach is becoming further. You look at the bedroom communities around Calgary. They've got public transit operating. Edmonton is stretching into Leduc and Nisku now. Red Deer has got service out as far as Lacombe with their partnership there. For private enterprise to come in and compete: I don't see it happening.

Mr. Stier: I guess, to sum up, then, if you were impacted to the degree that you've indicated here by high-speed rail, you don't see being able to make up some of the business in the local bedroom communities. You're going to have to find an alternative business plan, perhaps to McMurray or other stretches, to perhaps continue on operating in a profitable way. Is that correct?

Mr. Stepovy: Perhaps, but again, like I mentioned earlier, our corridors support each other. You know, we have about 4,000 square feet of facilities in Edmonton, and we're actually looking to grow them right now, to expand a little bit. We're looking to get a little bit more curb space in downtown for the increased traffic.

2:00

You know, if we lose the Edmonton-Calgary corridor, even though, let's say, Fort McMurray won't be impacted, we can't sustain the lease costs of downtown rent and those kinds of things, so we'd have to look at alternatives. But, again, even if you look at the charter market, for us it's a very, very minimal percentage of the business, which is only available because we may have a spare coach kicking around because we're not running additional services that day. I mean, really, our position is that it would shut us down.

Mr. Stier: Okay. And, if I could, the last question, Mr. Chair?

The Chair: Sure.

Mr. Stier: With your E-C model I'm just not sure if I picked up what you're doing there, but I guess it's more of an economic-based, low-service type of a scenario on the coaches. Are you expecting some expansion of that as that seems to grow? Do you think that that could be something where you could throw more units on the highway to actually offer the people that are looking for inexpensive transportation between Calgary and Edmonton? Are you seeing that being a big growth market for you now that you're sort of proving that profit centre?

Mr. Stepovy: Yeah, with our eBus brand, certainly. You know, in Alberta we were always a regulated marketplace. In 2011, when the province went to bus modernization, which is basically deregulation, we saw a tremendous opportunity in that sort of, you kind of say, low service. I mean, we see it as high service for an

economical cost. You're getting the same professionally trained operators. They're maintained the same way the Red Arrow coaches are. They just happen to have a few more seats, maybe not leather, and no snacks and things like that.

Yeah, we definitely believe that we've taken some people out of their vehicles. We've expanded services. In the fall of 2011, when we started, we ran basically once a day Edmonton to Calgary, kind of a return trip. We're now doing two daily return trips and four days a week an additional return trip. We started services to Fort McMurray, going a slightly different corridor. We go up highway 2 through St. Albert and Athabasca. As well, we've started direct service out of Edmonton into some of the camps north of Fort McMurray. That's proven to be fairly successful. You know, traditionally folks would come up, say, even from Red Deer, catch the coach, then take us on to Fort McMurray, and then would have to take a hundred-dollar taxi ride or, hopefully, catch a shuttle and those kinds of things. So we're running services that way. Then we're also running up 881, so Lac La Biche and Conklin. We don't quite go into Anzac. We go into one of the camps at Anzac.

But there is opportunity to grow, and we're able to do that. You know, when you go into a marketplace, you're not profitable tomorrow. It takes time. I mean, Lethbridge: we've been in that marketplace for a few years, and we continue to fight to grow and to capture market share there. If we didn't have all the routes and everything that we're doing in place, we'd never be able to expand and grow to some of these regions. There was a lot of fear around deregulation, back when a number of routes were discontinued throughout the province.

I mean, we definitely believe that there is a demand in smaller communities for different types of services. We started something called albertabus.com as well. Basically, we brought together some partners throughout the province in order to connect people a little bit easier. We have a partner in the Peace River area that operates with us. Again, we're all interconnecting, and we're moving people. But, you know, in order to support these kinds of things, you have to have access to some of the main corridors.

Mr. Stier: Just to refine a point if I may, with the consideration that we're working primarily on high-speed rail – and this is hypothetical, granted – if this high-speed rail idea, which will take many years, seems to be something that the government may or may not participate in to any degree, do you see Edmonton to Calgary as a big growth opportunity for you now given the success of your E-C business?

Mr. Stepovy: As the population grows, it would appear so. I mean, we saw the biggest jump in our business when the municipal airport in Edmonton closed its doors. The downtown-to-downtown traffic is fairly heavy for us. We have a lot of provincial government employees travelling with us. Health Services employees travel with us, you know, just mainly for that downtown-to-downtown benefit.

Mr. Stier: Okay. Good. That pretty well gets me where I was going. Thank you so much for your time and your participation today, gentlemen.

The Chair: Thank you, Mr. Stier.
Mr. Quadri.

Mr. Quadri: Yes. Actually, my question is to the CN representative. Could you please provide us with a bit of background regarding your experience in high-speed rail in other jurisdictions across Canada?

Mr. Chandler: We don't operate any high-speed rail in Canada. We let other providers like AMT, GO, and Via operate their own tracks in Ontario and Quebec, but we don't operate any high-speed or passenger service.

Mr. Quadri: But what is your experience? You have the lines, and you're in the same industry. So what's happening in Quebec? What is your experience? Is it worth it? Is it working there?

Mr. Chandler: I think that would be a great question to ask the service providers. GO Transit is probably the best one to talk to in Ontario, I think, because they operate the busy corridors between municipalities. So you speak to where Via makes their – you know, talk to someone from Via who could probably give you an idea of where their profitable corridors are and why. Like I said, I think the busiest corridor is between Ottawa, Montreal, and Toronto, and for obvious reasons: the number of people but also the potential. I think that those would be the types of providers that would be best suited to give you those answers.

We've sold tracks to companies because their business picked up, passenger service companies. They wanted to have the ability to own and operate their own line, and they've had great success doing that. But I think that if you look at Ontario and Quebec, there are definitely different population densities in that area.

Mr. Quadri: Okay. Thank you.

The Chair: Thank you, Mr. Quadri.

Mr. Dorward: In the context of where our report may end up, we certainly want to create a report that does not just sit on the shelf but one that can be looked at in the future as a reference for whatever discussions are being held in the future. I think that's an important consideration, that we don't just do a report that says no or yes or consider. You know, it should be a fulsome analysis of what we're doing and bringing in this great information that you've shared with us today and that others will.

In that context we have heard that perhaps we should consider 40 years out ahead buying blocks of land or a right-of-way. Then I'm thinking: well, we have two rights-of-way here. So I wanted just to expand a little bit. I'll ask both questions to CN and then CP and then reverse the order in the second question maybe. For CN, then – and it's a technical question; if you need to get back to us, that's just fine – on your right-of-way how many rail lines can you put in that right-of-way?

Mr. Chandler: How many rail lines?

Mr. Dorward: Six? Two? Are you full in the physical space that you have to prepare bed and get rails running? Can you make it six wide all the way from here to Calgary?

Mr. Chandler: Well, on average, we would have about a 100 feet wide right-of-way. But, again, the issue isn't our right-of-way in the rural areas. The issue would be our right-of-way in some of the smaller municipalities. So you drive to Delburne, and if you and I were to go have a cup of coffee and walk the line in Delburne, I think you would probably look and say that there is no room for another track there. It might be different when we get out into the rural areas like Red Deer county or Lamont county.

You know, for us as a railway, when we want to put another line in – on our main line between Prince Rupert, Vancouver, and Toronto we have areas of wide right-of-way where we look to put in double track or sidings and that sort of thing. But between Edmonton and Calgary our right-of-way and our line currently is

sufficient to meet our needs for the number of trains that we move. In order for us to look at putting in a full line – and, again, for railway it's different than just roads as well. It's not so much about – like, you twin a highway to meet more traffic. Railways operate differently. I know you look at the speeds, and you think: well, how can they be efficient? But when it comes to railways, just double-tracking a line isn't always necessary. You can put in sidings which allow trains to pass each other and still meet your needs and your requirements.

Our entire main line doesn't necessarily – and I don't even believe CP's – need to be twinned. When you put in sidings, then you park a train and another train goes through and you keep going. So you might have one rail line even with trains going north and south, but you can put sidings on that track and still meet the requirements for your freight service. I caution just looking, you know, at a big-picture idea without looking, I guess, at some of the logistics and the details that would be involved.

2:10

Mr. Dorward: CP: a similar answer?

Mr. LoVecchio: A similar answer. Typically our right-of-way is a hundred feet wide. We like to joke with the CP Police Service that they have the longest, narrowest jurisdiction in Canada.

If you look into some of the smaller communities along the line – and I'm thinking of Olds in particular – again, the community is pressed right up against the tracks, and an expansion of the right-of-way would require some form of annexation. Our track between Calgary and Edmonton is single main track with a significant number of sidings, but it is not a contiguous double main.

Mr. Dorward: Okay. Then the second part, part B, Mr. Chair, and maybe CP first. If a magic wand happened whereby private industry, for example, was interested in making some kind of investment relative to this in partnership with you folks, why is the CP rail the right one to do that on – and then I'll ask why CN is the right one to do that on – Edmonton to Calgary?

Mr. LoVecchio: I'm not sure CP is the right one to do it on. I'm not sure I accept the thesis.

Mr. Dorward: Money put aside.

Mr. LoVecchio: Well, I don't have the luxury of setting money aside. Our shareholders expect us to be wise with the money. As I said in my opening remarks, we have a capital budget of \$1.2 billion. That is money that does not get returned to shareholders. That is money that we invest in our infrastructure for ongoing operations and for expansion opportunities that are presented through the evolution of the grain market, for the oil sands, for intermodal.

Money not being an object, I would say to this committee and through this committee to the government: you need to look at what facilitates trade. That's the priority. There are robust services that already exist for passengers between the two major centres in this province. You need to look at what facilitates trade because at the end of the day those are the people who pay the taxes, who ultimately enable us as a society to deliver some services that are very important to us such as health care, such as education.

Mr. Chandler: Yeah. And I think, David, that there's a big difference between freight and passenger service, especially for us as railroads that operate North America wide. We don't sell our rights-of-way, you know, or even our corridors to customers. We sell our service.

But when we look at just the infrastructure itself, when we were approached to look at buying the ANY, which was going out of business, the line to Fort McMurray, we knew that there were significant capital investments that would be required to rebuild the line in many places. So not only did CN purchase the line, but then they invested over \$150 million just to upgrade it. In order to do that, you have to look at the business case. Does it make sense? You know, is the business going to be there? So railroads are typically a little different.

I always have this debate with rural municipalities, especially in northern Alberta. They may have seen their lines disappear 20 years ago, but they may be interested in new lines. Railroads are an if you build it, they will come when it comes to freight. It's that the customers are there and let's look at how we can work together.

It's not about who can get between Edmonton and Calgary the quickest. You know, like I said, we're a landlocked province. We're trying to get commodities out. So we look at how we can get containers from China to the store in Calgary. How do we get them to the stores in your constituency? That's typically where it varies between that and passenger service. We're not in the passenger business of giving people the cheapest option to get somewhere and that sort of thing. We're in the service-providing business.

To answer your question, the reality is that if someone approached us, we'd take a look at it, but they'd have to come up with a pretty concise business plan of what they wanted to do and how our infrastructure could provide that for them.

Mr. Dorward: Great. Thank you. Excellent answers. That's very helpful.

Thank you, Mr. Chair.

The Chair: Thank you. Thank you, guys.

Mr. Cao.

Mr. Cao: Oh, me again? Thank you very much. This is probably just for my curiosity. I know the airlines operate using the airport, and you own your own planes or lease your planes and make money out of the fares, the service. The same is with a bus. But with the railroad you own the right-of-way. You own the track – right? – and then the engine. I know you have the rolling stock. But when you talk about the container, shipping things there, do you own the container? Do you take things from the shop and then put it in containers and then that's yours? I'm just seeing how it works.

Mr. Chandler: Well, I mean, we're here almost getting an education on freight rail at a high-speed rail presentation. So, Mr. Chair, with your permission I guess we can continue on this.

The quick answer, Wayne. To be perfectly honest, CN only owns 55 per cent of the cars on our network, okay? So when you think railroads, the message we're out there giving municipalities is: we own the track and those locomotives, but that's not CN's grain, that's not CN's coal, and those sure aren't CN's barbecues in those containers that we're shipping in time for barbecue season. I guess the ones most relevant, that people in Alberta are curious about, are those tank cars. Who owns those tank cars? Ninety-nine point nine, nine per cent of the tank cars on CN's network are privately owned. CN doesn't own those tank cars, okay?

When something is put on our network, CN had better make sure that those things are safe and it meets our standards and everything else. But to answer your question, we don't own probably half of the cars on our network. When it comes to

containers, as you know, those are owned by the shipping company in China, and they want those containers back. That's why, you know, there are so many discussions about how Albertans can get their products back into them, stuffing containers, facilities. You know, we just opened our Calgary logistics park down outside of Calgary because all of those containers are coming in, but we don't control where they go. Customers just say: CN, we want this to go there.

To answer your question, it's about half. So what does the railroad own? We own the track. We sell our track and our locomotives and the people. But everything else: that's all our customers. We wouldn't move a thing if there wasn't a customer or a market to do it.

Mr. Cao: All right. Well, the reason I'm asking is that we talked about the high-speed passenger train. So if you have the track, then somebody else will own the train, the coach, the seating, and all of that – right? – to roll along, just like a container with people inside?

Mr. Chandler: Passenger service is just like another customer except Via has their own locomotives and that sort of thing.

Mr. Cao: Right. Thank you.

2:20

The Chair: Okay. Thank you very much.

Any other questions? I'm seeing none.

Well, gentlemen, thank you very, very much for being here, for taking time out of your busy schedules. We have enjoyed your presentations and thank you for answering our questions.

Okay. Now we have a couple more items to deal with. We dealt with 5(a) and (b) before the lunch break, so we'll now move to item 6, under other business. Do members have any other items for discussion?

Seeing none, we'll move to item 7, the dates of the next meetings. We all know that our scheduled meetings are Tuesday, February 4, 2014, from 9 a.m. to 4 p.m. and Wednesday, February 5, 2014, from 9 a.m. to 4 p.m.

Now I would entertain a motion to adjourn.

Mr. Dorward: We probably have time for a comfort break in the morning.

The Chair: Okay. Well, we will do that. You can present that as a motion next time, and we will vote on it.

Motion moved by Mr. Cao. All in favour? Opposed? We're adjourned.

Thank you.

[The committee adjourned at 2:22 p.m.]

