

Intelligence MEMOS



From: David Jones and Tasnim Fariha
To: Canadian Railway Observers
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Re: **LET'S KEEP POLITICS OUT OF HIGH-SPEED RAIL**

Canada's plans for faster, more frequent rail services in the Toronto-Quebec City corridor finally got the green light last week, as the federal government announced the private consortium selected to develop the long-awaited line.

The group, called Cadence, includes a unit of Quebec's pension fund, AtkinsRéalis (the new name for SNC-Lavalin), Air Canada and the French company SNCF Voyageurs. The group will move on to a "co-development phase" before construction, with no timeline yet announced.

The potential economic benefits are estimated to run to multiple billions of dollars. With macroeconomic uncertainty increasing under the new US presidency, nation-building projects are more important for Canada than ever. A new dedicated passenger rail line is projected to deliver economic growth, productivity and sustainability.

Yet major infrastructure projects in Canada – particularly public-private partnerships such as the high-speed rail plan – are often subject to drift, delays and uncertainty.

Smaller-scale rail projects hold myriad examples. Toronto's Eglinton light rail is estimated to be \$1.8 billion over budget; the Hazel McCallion LRT in the Toronto area, \$4.4 billion; the Surrey Langley Skytrain in the Vancouver suburbs, \$2 billion. All have faced delays, with the Eglinton LRT still not operational after 14 years of construction.

Moreover, with Parliament prorogued and political attention flitting elsewhere, Alto, as Ottawa has called the project, risks falling between the cracks.

Critics of high-speed rail may point to its price tag. Indeed, robust public sector decision-making requires an assessment of the costs and benefits arising from potential investments. But inaction and delays are also costly. Maintaining the status quo foregoes billions from constrained productivity, road congestion and economic competitiveness. The Toronto-Quebec City corridor, home to more than 16 million people and generating approximately 41 percent of Canada's GDP, lacks a fully modernized passenger rail service. Not only that, it leaves Canada as the sole G7 country without high-speed rail while peers continue modernizing transportation to boost growth.

Our recent C.D. Howe Institute [study](#) provides a quantitative estimate of the opportunity cost of doing nothing. It forecasts that a dedicated passenger rail service in the Toronto-Quebec City corridor could generate between \$11 billion and \$27 billion in cumulative economic benefits over 60 years. These benefits emerge from five main factors: rail user time savings (based on an assumed monetary value of time), reduced road congestion, road safety gains, lower emissions and agglomeration effects (which are productivity gains from tighter supplier-customer links, deeper labour markets and knowledge spillovers).

The stakes are therefore high. As a landmark infrastructure project, Alto would require significant capital investment, along with operational and financing costs. On the other hand, failing to modernize the passenger rail network imposes its own set of costs. In the absence of investment, Canada would likely experience heavier road traffic and higher emissions, and it would forgo valuable opportunities to improve productivity.

Moreover, Ontario and Quebec are projected to grow by five million people by 2043. As existing transportation networks become increasingly congested over time, we may wish we had acted sooner.

The near-universal experience of delays and cost overruns in transit projects across Canada has multiple sources beyond labour shortages and COVID impacts: Approvals and design have become politicized. A lack of transit built in the last generation means governments lack the capacity to oversee new projects. Methods used in successful early projects no longer fly politically now.

Those issues do not mesh well with public-private partnerships, or P3s. "They started with hospitals, and it moved into other types of social infrastructure," Matti Siemiatycki, head of the University of Toronto Infrastructure Institute, recently told *The Globe and Mail*. "And in those instances, it worked generally okay. And then it came over to transit, and it just hit a wall."

Against these challenges, high-speed rail must be seen as a nation-building project, particularly in the face of economically harmful tariffs and 51st-state threats. Ottawa must learn the lessons of the past so that mistakes are not repeated and, above all, keep this project insulated from politics.

David Jones is a Senior Fellow at the C.D. Howe Institute, where Tasnim Fariha is a Senior Policy Analyst.

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A version of this Memo first [appeared](#) in The Globe and Mail.