

Request for
VIA Service Enhancement
on the
Vancouver Island Rail Corridor



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Submitted by:
Island Corridor Foundation

This submission represents a formal request by the Island Corridor Foundation (ICF) to the Government of Canada and VIA Rail for enhanced passenger service on Vancouver Island. Specifically, the ICF proposes that the VIA terminus be relocated from Victoria to Nanaimo and that additional service be run between Nanaimo and Victoria before and after the existing daily *Malahat* return train that operates between Victoria and Courtenay.

In so doing, VIA Rail service would become available to new inter-city markets, including daytrip, recreational and tourist travellers between the mid-Island and Victoria. It would also complement:

- the federal government and VIA Rail's \$8 million investment in newly refurbished rail cars for *The Malahat* service that are expected to be in operation at the beginning of 2012, and,
- the \$22 million investment by the Island Economic Trust and federal and provincial governments to construct a new Port of Nanaimo cruise ship terminal.

The proposed service enhancement would add approximately 3 to 4 additional service hours per day depending on running times at an added gross cost of approximately \$500,000 per year less revenue. It may also involve a one-time cost to relocate the equipment maintenance and storage centre from Victoria to Nanaimo. However, as the present maintenance site in Victoria is slated for redevelopment, relocation is unavoidable in any case.

The following report provides the background and justification for this request as well as the details and implications of the proposed service enhancement.

1. Background

In late 2009, the Island Corridor Foundation (ICF) presented a report¹ to VIA Rail outlining the potential to enhance passenger service on Vancouver Island. This report was also subsequently provided to several federal and provincial elected officials. The report examined two potential enhancement options in the context of the ICF's long term plan for infrastructure upgrades and investment:

- Option 1 - Relocation of the VIA equipment maintenance and storage terminal from Victoria to Nanaimo and the addition of a run between Nanaimo and Victoria before and after the existing Victoria to Courtenay *Malahat* service; and,
- Option 2 – Addition of a second train to provide additional inter-city rail transportation, including service for daytrip, recreational and tourist travellers.

While Option 2 was preferred because of the greater amount of service and opportunities to tap into new passenger markets, initial implementation of Option 1 was suggested to minimize incremental costs, avoid the necessity of procuring additional equipment, allow the service to test the new markets and prove itself, and enable additional research and development of potential new tourism market products.

This approach is consistent with the ICF's incremental program of investment and renewal of the Vancouver Island corridor. Progress to date includes:

- **\$2.4 million for reconstruction of the historic Nanaimo railway station;**
- **more than \$4.2 million for tie replacement, new ballast, signal repairs and other track infrastructure improvements** over the past four years;
- **over \$25 million in related infrastructure improvements** (See Table 1) by the ICF together with its member municipalities (including grants from the federal government and Province of BC) and **another \$12 million proposed** to ensure that rail access is maintained in the reconstruction of Victoria's Johnson Street Bridge; and,
- **an impending investment of \$15 million toward rail infrastructure upgrades** to be funded equally by the Province of BC and federal government **to ensure the continued sustainable safe operation** of the rail line upon which Vancouver Island industries, First Nations and other communities rely.

¹Shirocca Consulting, *Potential VIA Passenger Service Enhancement*, October 2009.

Table 1 – Local Investments related to the Rail Line

- The Town of Esquimalt and BC Ministry of Transportation and Infrastructure have invested over **\$5 million to replace and upgrade the Admirals Road public railway crossing and signal system;**
- The City of View Royal and BC Ministry of Transportation and Infrastructure have invested **\$4 million** to construct a new Four Mile joint rail and trail bridge over the Old Island Highway in Langford.
- The City of Langford and BC Transit have invested **approximately \$2.0 million for the development of the Langford transit exchange** located adjacent to and in anticipation of future rail service improvements and development.
- The Cowichan Valley Regional District has **invested \$110,000 to improve the Cobble Hill** rail stop and The Town of Esquimalt is currently developing plans for a new rail station; and,
- **\$12.5 million** has been invested to construct cycle/walking trails by Greater Victoria local municipalities, the Capital Regional District and the BC Local Motion Fund and another **\$1.8 million** by the Cowichan Valley Regional District to promote rail/cycle tourism.

In addition to the above investments, the proposed service enhancement also offers opportunities to serve and complement the \$22 million² investment by the Island Economic Trust and federal and provincial governments in a new Port of Nanaimo cruise ship terminal. The new terminal is expected to immediately draw approximately 31,000 visitors plus crew annually. Recognizing that land excursions are the key to attracting cruise lines to the new terminal, the Port is developing a transportation hub, including facilities to serve marine, bus, air, and rail passengers. The Port is presently working with the ICF and its rail operator, Southern Railway of Vancouver Island (SVI), to develop the necessary rail infrastructure, including a rail spur and equipment maintenance and storage facility to serve the cruise terminal.

² \$3.5 million from the Island Coastal Economic Trust, \$5 million from the Province of BC and \$8.5 million from the federal government.

2. Proposed Immediate VIA Rail Service Enhancement

VIA Rail currently operates *The Malahat*, a single two-car train that runs daily between Victoria and Courtenay serving inter-city and tourist passengers. Contrary to other routes across Canada, *The Malahat*'s ridership has grown steadily over the past four years despite inhibiting factors such as aged obsolete passenger rail equipment lacking in amenities, inability to carry bicycles or wheelchairs, poor ride quality due to track conditions and a ten-hour return trip.

The federal government's decision to acquire three newly refurbished Rail Diesel Passenger Cars (RDC's) that are both wheelchair and bicycle accessible to replace VIA rail's old RDC's and its proposed support of the \$15 million in track repairs and upgrades will do much to improve this situation and encourage further tourism interest and potential in the corridor. However, the existing service design has been in place for more than 50 years and has not responded to the many changes that have occurred on the Island over this period, including the rapid population growth of the mid-Island. As a result, the existing service does not serve the mid-Island well.

To better address Island needs, the ICF has proposed relocation of the start/end point of *The Malahat* from Victoria to Nanaimo and the addition of a morning train from Nanaimo to Victoria prior to *The Malahat* run and a reverse trip at the end of this run. The incremental service would cater to inter-city daytrip, recreational and tourist travellers bound to/from Victoria from the mid-Island. Table 2 below shows two conceptual schedules, one with current running times and the other with improved running times when the corridor is fully upgraded.

TABLE 2: ADDITIONAL PRE & POST NANAIMO/VICTORIA RUN ON MALAHAT SERVICE

		CURRENT RUNNING TIMES			IMPROVED RUNNING TIMES	
SOUTHBOUND	MILES	↓	↓		↓	↓
COURTENAY	139.7		13:10			12:40
PARKSVILLE	95.2		14:45			13:43
NANAIMO (STARKS)	69.2	05:45	14:55		06:10	14:30
DUNCAN	39.7	07:10	16:40		06:56	15:16
LANGFORD	7.9	08:50	17:20		07:52	16:15
VICTORIA	0.8	08:10	17:40		08:10	16:30
TRIP TIME		2:25	4:30		02:00	3:50

NORTHBOUND		↓	↓		↓	↓
VICTORIA	0.8	08:25	17:55		08:30	16:50
LANGFORD	7.9	08:45	18:15		08:45	17:05
DUNCAN	39.7	10:00	18:55		09:44	18:04
NANAIMO (STARKS)	72.5	11:00	20:20		10:30	18:50
PARKSVILLE	95.2	11:20			11:23	
COURTENAY	139.7	12:55			12:20	
TRIP TIME		4:30	2:25		3:50	2:00

Based on the 2010 operations contract between SVI and VIA Rail, the incremental cost for the added service as illustrated above is estimated to be approximately \$500,000 per year **less incremental revenues**, or less than \$5 per seat. To put this into context, VIA Rail now charges an adult fare of \$20 between Duncan and Victoria. By comparison, Greyhound Bus charges \$15 to \$20 and the Cowichan Valley Regional Transit Authority (CVRTA) charges a subsidized cost of \$6.30 based on ten tickets or \$7.00 cash. This suggests that even with a very reduced fare comparable to the subsidized transit rate charged by the CVRTA, the service can be competitively priced and still recoup some, if not all, of its operating costs.

It should be noted that VIA Rail staff have reviewed the incremental cost estimate and agreed that it was reasonable. Final actual costs will be dependent on detailed scheduling and contract costs at that time of implementation

Expected Ridership & Revenues

As is the case with most transportation projects, cost of service is relatively certain, whereas ridership and revenue estimates tend to be more variable and less certain³. A recent study⁴ carried out on behalf of the BC Ministry of Transportation and Infrastructure examined inter-city passenger potential for the proposed enhanced service outlined above. Based on a Direct Demand Model (DDM) and data on current VIA ridership, the study predicted that demand

³As part of its review of the ICF's 2009 report, VIA Rail examined various other services it operates to determine if there were any comparables to the proposed service enhancement. Although three city pairs were examined – Drummondville/Quebec City, Drummondville/Montreal and Alexandria/Montreal, this review concluded that none were good comparables to the Nanaimo/Victoria service due to several factors -the larger population of the inbound destination (i.e., Quebec City and Montreal vs. Victoria) in each city pair; the originating city (i.e., Drummondville and Alexandria vs. Nanaimo) being midway between much larger population centres (i.e, Drummondville between Quebec City and Montreal and Alexandria between Ottawa and Montreal); more frequent daily service on these lines; shorter travel time; and, geographic differences on the Vancouver Island corridor (e.g., the Malahat) that effectively expand travel distance.

⁴BC Ministry of Transportation & Infrastructure, *Evaluation of E & N Corridor: Passenger Analysis*, 2010.

for inter-city rail service could triple “by tapping into the existing and projected personal and other business travel market into Victoria and Nanaimo”⁵.

Looking forward to 2026, the study projected annual ridership could meet or exceed 159,000 with the enhanced service compared to 50,000 if it were to stay unchanged. On this basis, an average fare of only \$5 could cover the cost of the incremental service, meaning that minimal ridership would be required to cover or exceed the added operating expenditure at market fare prices. Although the demand projections of the DDM are based on the improved running times, it still would only require an average of 34 additional passengers per train or less than 25 percent of the predicted potential demand to cover the incremental cost of the service based on current running times and VIA Rail’s current fare rates.

Table 3 below illustrates the number of additional passengers per train run for the incremental service that are required to cover the cost of the incremental service at different price points. This compares with a capacity of 116 seats per train run, assuming no seat turnover or standees.

TABLE 3: ADDITIONAL PASSENGERS PER TRAIN REQUIRED TO BREAK EVEN

ONE-WAY AVERAGE FARE	AVERAGE PASSENGERS PER TRAIN TO BREAK EVEN
\$7	98
\$15	45
\$20	34

Maintenance Centre Relocation

At present, train maintenance is carried out in Victoria at the historic roundhouse and rail yard site just south of Esquimalt Road in Songhees. This site forms part of the Bayview Development and is designated for mixed use redevelopment, including 500,600 s.f. of residential, 199,100 s.f. of residential/hotel and 98,200 s.f. of retail commercial/public space. This parcel is a prime site and the last remaining major piece of the redevelopment project. Although its development was stalled by the recent economic downturn, it is now back on track and is slated to be completed by 2013.⁶ The developer has the right to request that the maintenance operator vacate the site with 90 days prior notification. While there may be some room for negotiation on timing, there is no question that this site is no longer compatible with its surroundings and it must change from industrial to residential/commercial and public use in the near future.

⁵BC Ministry of Transportation & Infrastructure, *Evaluation of E & N Corridor: Passenger Analysis*, 2010. p. 2..

⁶ BC Ministry of Finance, *Major Projects Inventory*, September 2010.

In contrast, both the City and the Port of Nanaimo would welcome the relocation of the VIA Rail maintenance facility to port property in Nanaimo. The cost for relocation and the new facility will of course be subject to various considerations, such as location, presence of existing facilities, decisions on ownership and negotiation. As a result, a reasonable cost estimate cannot be provided at this time. However, this will be a one-time cost; one which must be incurred sooner or later and should not be factored into the decision to enhance rail service on the Island as proposed.

3. Conclusions

Demand for additional rail service on Vancouver Island is evident from ridership growth over the last several years despite the existing service's adverse characteristics, including old cars lacking in amenities, the inability to carry bicycles or wheelchairs, poor ride quality due to track conditions and a ten-hour return trip. Introduction of newly refurbished cars in the beginning of 2012 and investment of \$15 million in track repairs and upgrades will improve this situation. However, the service design, which has remained unchanged for over 50 years, remains a major impediment as it does not serve the heavily populated mid-Island well and neglects significant personal and other business trip markets in Victoria and Nanaimo.⁷ In addition, dislocation of the present train maintenance site in Victoria is imminent.

For all of the above reasons, the ICF proposes that the VIA Rail terminus be relocated to from Victoria to Nanaimo and that additional service be run between Nanaimo and Victoria before and after the existing daily *Malahat* return train between Victoria and Courtenay. In so doing, VIA Rail service would become available to new inter-city markets, including daytrip, recreational and tourist travellers between the mid-Island and Victoria. It would also complement:

- the \$10 million investment in newly refurbished RDCs for *The Malahat* service, and,
- the \$22 million investment by the Island Economic Trust and federal and provincial governments to construct a new Port of Nanaimo cruise ship terminal.

The gross cost for this incremental service is estimated to be approximately \$500,000 per year or less than \$5 per seat **before revenues** are taken into account, meaning that the service can be competitively priced with minimal ridership required to cover or exceed the added operating expenditure.

The BC Ministry of Transportation and Infrastructure examined inter-city passenger potential for the proposed enhanced service and projected annual ridership in 2026 could meet or exceed 159,000 with the enhanced service compared to 50,000 if it were to stay unchanged. Although this demand projection is based on the improved running times, it still would only require an average of 34 additional passengers per train or less than 25 percent of the predicted potential demand to cover the incremental cost of the service based on current running times and VIA Rail's existing fare rates.

⁷ Ministry of Transportation & Infrastructure, , *Evaluation of E & N Corridor: Passenger Analysis*, 2010.