

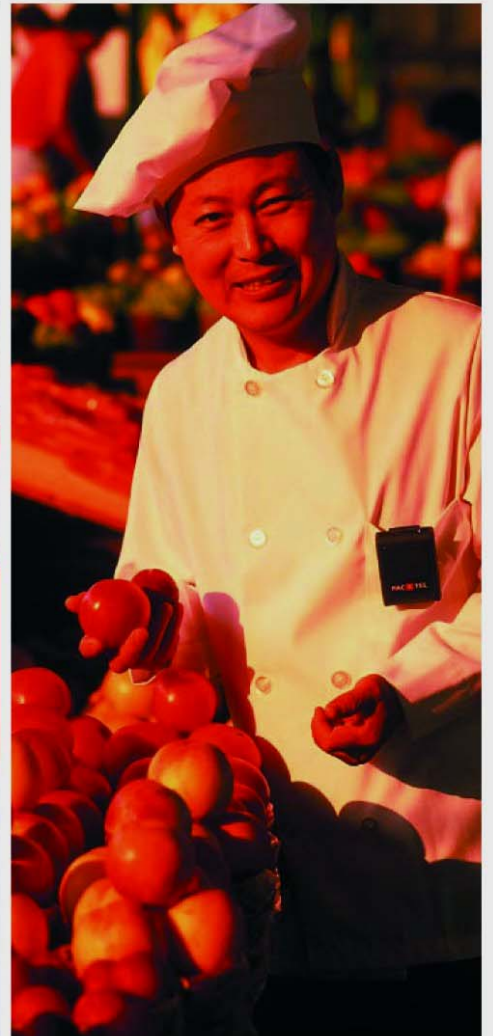
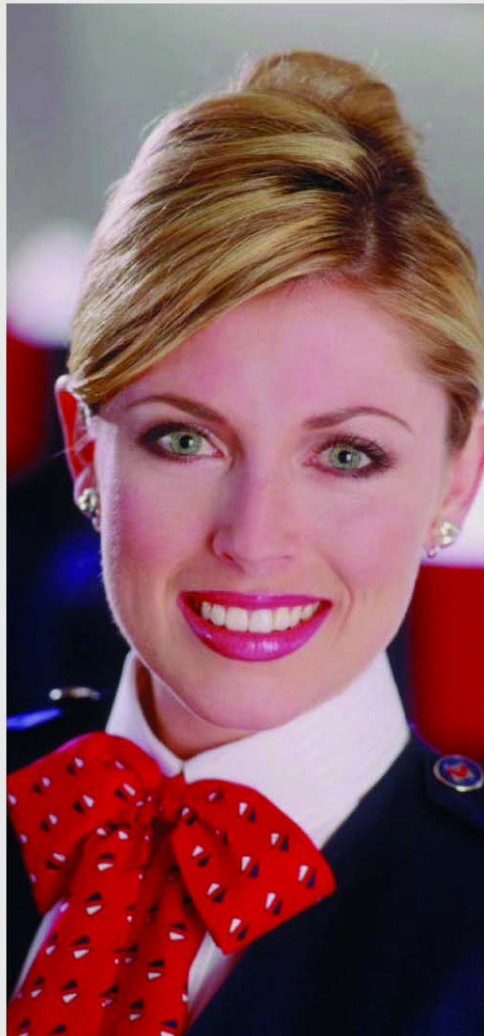


Council of  
Tourism Associations  
of British Columbia

THE BC TOURISM REVIEW

# All Aboard

PASSENGER RAIL IN BRITISH COLUMBIA





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# 1.0 Introduction

This report provides an up-to-date overview of existing passenger rail transportation products and infrastructure in British Columbia, as well as key issues and considerations relating to the sector's viability and competitiveness.

## 1.1 British Columbia – A Global Rail Tourism Destination

British Columbia has emerged as a major global rail tourism destination. Not only do rail excursions offer spectacular scenery on multiple routes, but for the rail buff, B.C. offers world renowned feats of rail engineering. Rail tourism in B.C. has been developed as a combination of destination rail excursions on full day and multi-day itineraries with Rocky Mountaineer Vacations, scheduled passenger services by VIA Rail and Amtrak, and short trip thematic excursions on historic railways. In addition, TransLink rail services in the Greater Vancouver region also play an important role in supporting tourism, a role which will expand with the opening of the Canada Line linking the Vancouver International Airport to accommodations and attractions in Vancouver and Richmond.

## 1.2 Rail Tourism Opportunities

While B.C. has already emerged as a major global rail tourism destination, there are other opportunities in this sector which can be considered and supported. This report identifies some of these opportunities and discusses the issues. Section 2 begins by identifying the major B.C. rail tourism experiences available today to tourists. It then compares our services with those in other markets in Canada, the U.S. Pacific Northwest, Europe and Asia. Section 4 looks at the linkages between rail and other modes, such as air transport, cruise ships, ferries and road/bus services. Section 5 then discusses future opportunities and issues.

Overall, the report demonstrates that the enhancement of B.C.'s tourism rail products will likely occur through more effective linkages with other modes of transportation, such as ferry, cruise, air, and "rubber-tire" traffic. Governments at all levels should facilitate the development of these linkages. In addition, while B.C. does not have the population density to support the type of scheduled passenger rail service found in Europe and Japan, there may be opportunities for enhancing some scheduled services – primarily from Seattle into Vancouver, and by expanding light rail in the Lower Mainland. Finally, governments should ensure that publicly-subsidized services do not directly compete with and hamper the growth of privately-operated services, which have been responsible for most of the growth in passenger rail in B.C. over the past 10-15 years.

## 2.0 Passenger Rail Services in B.C. Today

### 2.1 Introduction

Four types of passenger rail service are provided in British Columbia:

- **Scheduled Passenger Rail Services.** Passenger rail service operated by government corporations, VIA Rail and Amtrak, which provide service for both residents travelling for business and leisure purposes, as well as tourists.
- **Destination Rail Services.** Typically multi-day rail excursions where the on-board experience is the primary purpose (or destination) of the trip, normally aimed at the mid to higher end tourist market, such as those provided by Rocky Mountaineer Vacations.
- **Short Haul Rail Excursion Experiences.** Normally short “thematic” trips of under an hour to experiences requiring a half day, along historic or scenic corridors.
- **Commuter Rail / Light Rail Transit.** Rail services operating in the Greater Vancouver urban area.

These services are outlined in the sections below.

### 2.2 Scheduled Passenger Rail Services in B.C.

#### 2.2.1 VIA Rail

VIA Rail is a federal Crown corporation that offers scheduled passenger services throughout Canada.<sup>i</sup> In 2005, VIA Rail carried 4.1 million passengers in Canada, with most of these trips occurring in the densely populated corridors of southern Ontario and Quebec. Within British Columbia VIA Rail serves 23 stations, although only four of these are staffed (Vancouver, Victoria, Prince Rupert and Prince George). The rest of the stations are un-staffed, shelter or stop-sign stations. VIA Rail’s services in B.C. consist of three routes:

- *The Canadian* – a year-round, trans-Canada service between Vancouver and Toronto via Kamloops, Jasper, Edmonton, Saskatoon, Winnipeg, Sioux Lookout and Sudbury Junction.
- *The Skeena* – a year-round, inter-provincial service between Prince Rupert and Jasper, AB via Prince George.
- *The Malahat* – a local Vancouver Island service operating twice daily between Victoria and Courtenay via Nanaimo, operating on the E&N Railway.<sup>ii</sup>

The three services provide scheduled stops at intermediate destinations along their routes, as well as request stops at smaller destinations. VIA Rail also offers a number of tourist packages, such as the “Romance by Rail” which can be booked directly through VIA Rail or through a travel agent.

### Scheduled Passenger Rail Services in B.C.



#### 2.2.2 Amtrak

Amtrak is a U.S. government-owned corporation that provides scheduled passenger service in the United States.<sup>iii</sup> It serves more than 500 destinations across the continental U.S. The Amtrak Cascades service operates between Vancouver and Seattle with stops at Bellingham and Everett. The rail service operates once daily, with a journey time of approximately 4 hours.<sup>iv</sup> The rail service is supplemented by Amtrak licensed bus services between Seattle and Vancouver,

providing an additional four daily departures. While the Seattle – Vancouver service is operated by Amtrak, the service is funded in part by the State of Washington, both in terms of operating costs and capital costs.

## **2.3 Destination Rail Service**

### **2.3.1 Rocky Mountaineer Vacations: Rocky Mountaineer and Whistler Mountaineer**

Rocky Mountaineer Vacations is a B.C.-based company that offers vacation packages within British Columbia and Alberta, including a number of luxury rail journeys. The Great Canadian Railtour Company, the private company that owns Rocky Mountaineer Vacations, acquired the rights to operate the Rocky Mountaineer rail service in 1990 (scheduled passenger service on the Vancouver to Calgary route was previously operated by VIA Rail). Since that time, the company has developed a number of rail packages for tourists to choose from:

- Kicking Horse Route – a two-day, one-night journey between Vancouver and Banff or Calgary via Kamloops, operating three times weekly from April to October, plus a December service. Passengers travel by rail during the day to ensure that they can view the scenery along the route and stay overnight at a hotel in Kamloops.<sup>v</sup>
- Yellowhead Route – a two-day, one-night journey between Vancouver and Jasper via Kamloops, operating 3X weekly from April to October.
- Fraser Discovery Route – started in 2006, this service begins at Whistler, overnights in Quesnel and terminates in Jasper, lasting two days and one night – 3X weekly (Apr-Oct).
- Whistler Mountaineer – also started in 2006, the rail service operates between North Vancouver and Whistler with a journey time of approximately three hours. There are departures each day (one in either direction) between May and October.

The multi-day itineraries offer two classes of travel – RedLeaf and GoldLeaf, the latter of which allows access to dome window cars as well as other upgrades. Itineraries are available in both directions (both to and from Vancouver). Rocky Mountaineer Vacations also offers a range of packages to customers which include additional tours by motor coach at the destination, circle tours (e.g., the Yellowhead route to Jasper and return on the Fraser Discovery Route), or connection onto the VIA Rail *Canadian* service at Jasper taking passengers to Toronto.

In both 2005 and 2006 Rocky Mountaineer won the prestigious World Travel Award for "World's Leading Travel Experience by Train." The company has re-branded passenger rail in B.C., and has become the province's flagship tourism rail service.

### **2.3.2 Canadian Pacific Railway – Royal Canadian Pacific**

The Royal Canadian Pacific is a luxurious excursion train operated by CP Rail. The train comprises a number of luxury carriages built between 1916 and 1931. From June to September the train is operated on a six day, five night circular train trip that begins in Calgary and travels westbound to Golden via Banff, Lake Louise and Kicking Horse Pass before travelling southbound

to Cranbrook. The train then travels eastbound returning to Calgary via Summit Lake, Lethbridge, and Okotoks. In addition, a number of additional itineraries are offered from Calgary into B.C., packaged with golfing, fly-fishing and culinary experiences. The train is also operated between Banff and Lake Louise during certain times of the winter.

**Destination Rail Services and Short-Haul Excursion Railways in B.C.**



## 2.4 Short-Haul Excursion Railways

A relatively newer phenomenon in B.C. has been the development of a number of short-haul excursion rail tours within B.C., providing visitors with specially-designed thematic tours along scenic and/or historic regions of the province:<sup>vi</sup> These include:

- The Kamloops Heritage Railway's *Spirit of the Kamloops* Railtour is an 11-km long round-trip journey operated by steam locomotive that lasts for 1 hour and 10 minutes. It runs on CN's Okanagan subdivision from June through August.
- The Kamloops Heritage Railway's *Armstrong Explorer* Railtour is a 184-kilometre round-trip journey operated by steam locomotive between Kamloops and Armstrong from May thru October, and provides winery tour bus transfers.
- The Kettle Valley Steam Railway is located in the Okanagan Valley. It is a 16-km long, 2-hour journey through Prairie Valley, operating between May and September, and some holidays.
- The Alberni Pacific Railway is a steam train that runs through the City of Port Alberni and the surrounding forests, with a journey of 35 minutes each way.
- Bavarian City Mining Railway is a 12-km, one-hour long steam train trip that travels from downtown Bavarian City to Happy Hans Campground and RV Park.

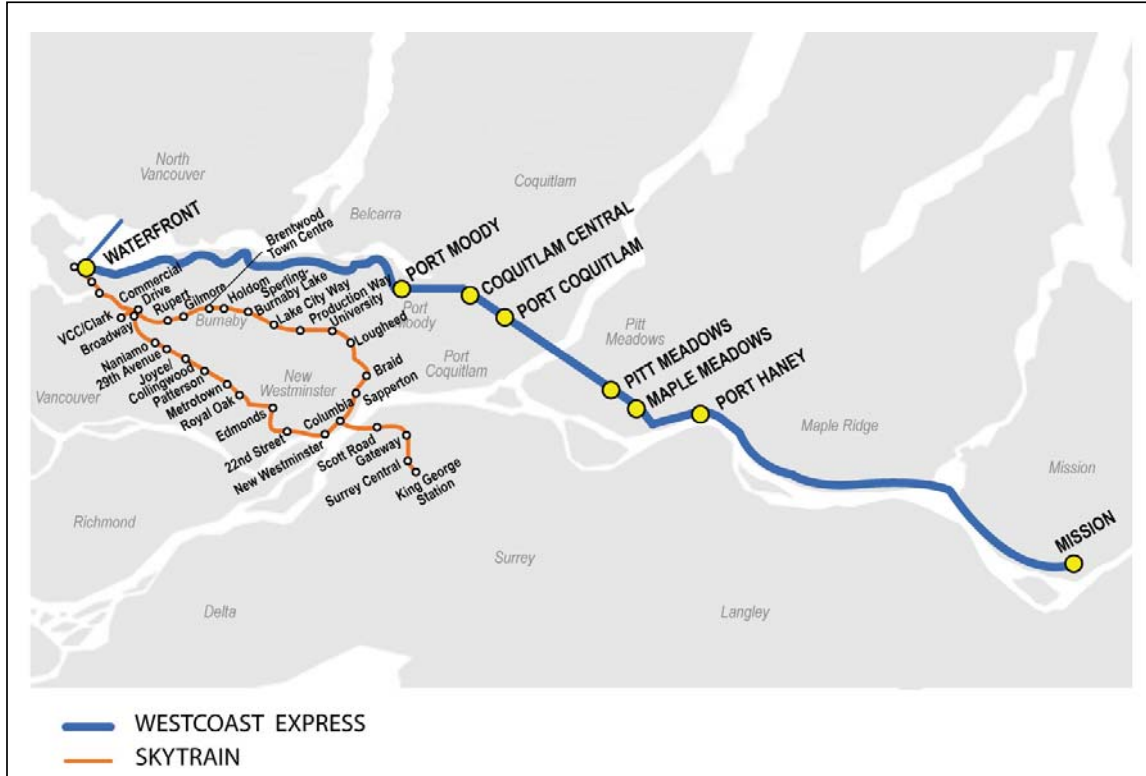
## 2.5 Commuter Rail / Light Rail Transit

A number of urban rail services operate in Greater Vancouver. As well as enabling residents to travel throughout the city, these services also provide a vital link in enabling tourists to visit a range of destinations in the Vancouver region.

### 2.5.1 SkyTrain

The SkyTrain is an operating subsidiary of TransLink, and operates a 49.5-km automated light rapid transit system. The train runs 7 days a week across 33 stations. Peak hour service frequency ranges from every 2 to 8 minutes. Operating hours vary by line and by days of the week. The SkyTrain connects riders to an extensive network of buses, SeaBus ferries, West Coast Express commuter rail and HandyDART custom transit. SkyTrain links tourists to a number of destination, dining and shopping experiences, such as New Westminster, Burnaby Lake, Commercial Drive and Metrotown.

## Commuter Rail / Light Rail Transit



### 2.5.2 West Coast Express

The WestCoast Express, an operating subsidiary of TransLink, travels the corridor between Vancouver's downtown and Mission City, with stops in Port Haney, Maple Ridge, Pitt Meadows, Port Coquitlam, Coquitlam, and Port Moody. It operates Monday to Friday, going westbound in the morning and eastbound in the evening during peak commuting hours. Because this service operates only in the peak hour direction, it cannot be used by tourists based in Vancouver to visit the attractions in the eastern communities. It does allow tourists staying east of the City to have day excursions to downtown Vancouver.

### 2.5.3 Canada Line

The 19-km Canada Line will connect Vancouver with Central Richmond and the Airport. Construction of this line began in fall 2005 and is scheduled to be completed in November 2009. This will be an important tourism link, connecting visitors staying in Vancouver or Richmond to the airport, and connecting visitors staying in Vancouver to the Golden Village, Olympic Skating site and proposed Trade Showcase in Richmond. Similarly, the Canada Line will connect visitors staying at Richmond's 25 hotels to downtown Vancouver tourism opportunities. Tourism Richmond is B.C.'s 4<sup>th</sup> largest tourism destination marketing organisation.

## 3.0 Comparison with Passenger Rail Services in Other Jurisdictions

The following sections provide a brief comparison between the rail services provided in British Columbia and those provided in other parts of Canada, the U.S. and overseas.

### 3.1 Ontario and Quebec

The majority of VIA Rail's services are in Ontario and Quebec, particularly the corridor between Windsor and Quebec City (via Toronto, Ottawa and Montreal). Approximately 85% of VIA Rail's total passengers are carried on this corridor.<sup>vii</sup> The service provided by VIA Rail in Ontario and Quebec are generally higher frequency and higher speed than those offered in B.C.. For example, the Ottawa-Montreal service operates 7 times a day, and can reach speeds of up to 150 km/h. Many of the services offered by VIA in this region support commuter and business travel, as well as leisure and tourism travel. Arguably, the VIA Rail service in B.C. has limited business and commuter travel. VIA Rail also operates a number of services in the Ontario/Quebec region that are marketed to tourists, such as the *Canadian* service to Vancouver (described previously), the *Ocean* service to Halifax, NS (a 20-hour journey operated six times a week) and the *Chaleur* and *Saguenay* services which connect Montreal with points in Northern Quebec. Once daily Amtrak services between New York and Toronto and New York and Montreal are also available.

Unlike B.C., Ontario and Quebec are served by a number of smaller passenger rail companies, operating with federal and provincial government subsidy, which provide essential and tourist services to more remote parts of the provinces.<sup>viii</sup> These include Ontario Northland Passenger Services, Quebec North Shore and Labrador Railway, and Algoma Central Railway (Ontario). There are also commuter rail services such as GO Transit in Ontario which links Toronto to points as far away as Hamilton and Oshawa.

While there are a number of short-distance excursion rail services in Ontario and Quebec (largely steam rail), there are no luxury/destination rail services of the sort provided by Rocky Mountaineer in British Columbia.

### 3.2 Washington and Oregon

Three daily passenger services are provided by Amtrak in the state of Washington and Oregon:

- Amtrak Cascades – Vancouver, B.C. to Seattle with onward connections to Eugene, OR.
- Coast Starlight – Seattle to Los Angeles via Portland, OR. The train runs once daily in each direction.
- Empire Builder – Portland/Seattle to Chicago via St. Paul. The train runs once daily in each direction.

There are over ten excursion/tourist railways in Washington and Oregon. Most of these services are nostalgia steam trains; the services are not long haul (lasting a few hours) and do not offer a luxury product. In 2007, the GrandLuxe Rail Journey will offer a routing from Seattle through Washington, Oregon, Idaho and Montana during June to August. The GrandLuxe is a touring vintage train offering journeys throughout North America. The itinerary of this service changes from year-to-year.

### **3.3 International: Europe and Japan**

In contrast to North America, the densely populated countries of Europe and Japan have extensive and heavily used passenger rail networks. These passenger rail networks play a critical role in the transportation of people for commuting, business and leisure purposes. France, Germany and Japan, for example, have high-speed intercity rail services capable of speeds of up to 300 km/h, and which offer journey times comparable with aviation, even over relatively long distances. Many services, particularly those between major population centres, operate at high frequency with departures every hour or half-hour.

The European rail carriers, individually and collectively, offer a wide range of rail passes targeted at inbound tourists.<sup>1</sup> Many tourists use these rail passes as their primary means of travel within Europe. Most of the major European gateway airports are served by the intercity rail services.

One of reasons that passenger rail is much more prevalent in Europe and Japan than in North America is the high population density of these countries, which makes passenger rail a fairly cost effective option. For example, the Eurostar service runs between London and Paris and between London and Brussels with a journey time of less than 3 hours. Just these three cities, three hours apart, have a combined population of over 20 million, nearly two-thirds the population of the whole of Canada. Even with this population density, most passenger rail services require government subsidy in order to be viable. For example, the partially privatised UK passenger rail system requires operating and capital cost subsidies of approximately \$5 billion per annum.<sup>2</sup> The total amount of subsidy paid to rail in Europe is estimated to be in the region of \$60 billion per annum (both passenger and freight combined).<sup>3</sup> The Japanese railways do make an operating profit, but benefit from massive government funding for infrastructure costs.

High-end destination rail services are not particularly prevalent in Europe. Those that do exist tend to offer journeys on vintage rail carriages, sometimes pulled by restored steam locomotives. Examples include the Venice-Simplon Orient Express operating across Europe and the Royal Scotsman in the UK.

Japan also has a well developed high-speed rail system which is heavily patronised by tourists.

<sup>1</sup> VIA Rail and Amtrak also offer rail passes to visitors, both individually and collectively via the North American Rail Pass.

<sup>2</sup> Source: Strategic Rail Authority, UK.

<sup>3</sup> Source: IATA

## 4.0 Linkages with Other Modes of Transportation and Tourism Experiences

An efficient and effective transportation network needs to integrate all transport modes. Factors such as accessibility, service frequency, network size, and connections with other transport modes are critical to tourists' itineraries.

### 4.1 Aviation

Aviation has an important role in attracting tourists to passenger rail travel in B.C. Aviation represents a major mode of transportation for tourists into the province, with approximately 38% of non-Canadian visitors arriving to B.C. by air. While changes in air policy and market conditions since 1995 have increased air access to Canada and benefited the tourism industry in B.C., much more needs to be done to enhance air access and capacity to B.C., and within B.C., if the tourism industry is to remain competitive with other jurisdictions.

The development of low cost carriers such as WestJet has increased the number of destinations in B.C. accessible by jet aircraft, and in many cases has reduced fares through stimulated competition. Changes in airline ticketing, allowing the greater availability of one-way and "open jaw" tickets, have also made rail tourism more attractive. "Open jaw" tickets allow the traveller to fly into and out of different airports. For example, a tourist could fly from London to Vancouver, enjoy the passenger rail experience from Vancouver to Banff or Calgary and then fly out of Calgary Airport back to London.

At present, B.C.'s airports are not directly linked to the intercity rail network, although in 2009, the Canada Line will begin operations linking the Vancouver International Airport to downtown Vancouver and Richmond. There will be an ability to transfer from the Canada Line to the SkyTrain Expo Line to obtain access to the VIA Rail / Amtrak station. These stations are not directly connected to the airport by bus. Neither of the two Rocky Mountaineer stations (Vancouver and North Vancouver) are connected to Skytrain/Canada Line, or by public bus. Rocky Mountaineer does, however run shuttle buses from major downtown Vancouver hotels to their stations.

### 4.2 Cruise

The cruise ship experience is in many ways similar to the luxury rail services provided in B.C., offering passenger the opportunity to sightsee while enjoying high quality service. Providing visitors with packages that combine both these experiences is likely to be beneficial to both industries. For example, Rocky Mountaineer Vacations provide pre- and post-cruise packages to Whistler for cruise passengers:

- Pre-Cruise Escape: Travel to Whistler on the Whistler Mountaineer and returning by motorcoach to the cruise ship terminal.

- Post-Cruise Escape: Pickup at the cruise ship terminal and travel to Whistler by motorcoach and returning on the Whistler Mountaineer to Vancouver.

Many travel agents also provide “sail and rail” packages that combine a cruise ship journey from Vancouver with a rail trip on Rocky Mountaineer or VIA Rail. As the Port of Prince Rupert develops as a cruise ship stop, there may be opportunities to package rail tours with the cruise.

With the opening of the Canada Line, the Vancouver cruise ship facility at Canada Place (but not the facility at Ballantine Pier) will be connected by rail to the airport. Canada Place is also connected by the Expo Line to the VIA Rail/Amtrak station.

### **4.3 Ferry**

Four cities in British Columbia are served by both rail and ferry services: Vancouver, Victoria, Nanaimo and Prince Rupert. In all four cases, a bus or taxi transfer is required to connect between the two modes.

Rocky Mountaineer Vacations does have a package which encompasses both ferry and rail. The 12-day “Totem Rail Explorer” package which provides a combination of motorcoach, ferry, and rail travel between Vancouver, Victoria, Port Hardy, Prince Rupert, Jasper/Banff and back to Vancouver. Rocky Mountaineer is the only company that provides this combination of transportation modes within one travel package.

### **4.4 Road/Bus**

The rail network is not as extensive as the road network so visitors often need to rely on road/bus to get to attractions. Some of VIA Rail’s smaller stations have limited or no public transit connections. Even if public transit stops are nearby, the rail and bus schedules are not always synchronised and fail to provide “seamless transportation service” to travellers.

Many of Rocky Mountaineer Vacations’ rail packages include motorcoach (via Gray Line West) and even private limousine so tourists can sightsee places where there is no rail stop, such as the Columbia Ice Field.

Bus is an alternative to commuter rail for those who missed the train. The TrainBus, a special bus that only stops at West Coast Express stations, caters to those who missed the last train or wish to depart at a later time than the regular train schedule.

A number of important attractions outside the major cities are not linked by rail. For example, VIA Rail calls at Prince George and Rocky Mountaineer at Quesnel. Both are in proximity to the Barkerville gold mining experience, but connecting bus services are not available. On the other hand, in the Okanagan, some rail/bus packages have been developed which provide winery tours.

## **5.0 Opportunities and Issues Affecting Rail Tourism**

Due primarily to the expansion of private rail operators such as Rocky Mountaineer Vacations, rail tourism levels in B.C. have increased dramatically over the last 15 years. However, there are a number of issues which may affect the future growth of rail tourism in B.C. as well as new opportunities for development. These are reviewed in the following sections.

### **5.1 Tourism Growth Constrained By Limited Mainline Rail Capacity**

In only the past few years rail capacity in Western North America has emerged as a major challenge. The 1997 Asian economic slowdown and the 2001 recession in the U.S. hid a permanent trend toward increased trade between Asia and the Americas. The amount of international trade through West Coast ports has increased dramatically, not only squeezing the capacity of the ports but also, in the case of freight, of the rail system serving them. This is due to increased volumes of manufactured goods being imported into NAFTA from Asia, and Asia is also increasing its consumption of various raw materials – coal, iron ore, metal concentrates, etc. – much of which is shipped from North America. In any event, rail corridors are bi-directional as empty cars or containers must be returned to source.

Unfortunately, the rail capacity issue will not be solved overnight. While the rail carriers are making significant investments in rail capacity upgrades, this will take some time to come on-line, and many of the large-scale investments required have yet to receive a firm commitment.

### **5.2 The Potential for Expanded Amtrak Services and the Future of Amtrak**

As noted previously, Amtrak provides daily rail service to Vancouver from Seattle, supplemented by bus services. It may be viewed that this service has the potential to increase the flow of tourists from the U.S., particularly as B.C. gears up towards the 2010 Olympic and Paralympic Games, primarily by increasing the frequency of Amtrak service from Seattle to Vancouver.<sup>ix</sup>

Since 1993, a number of groups, including COTA have advocated increasing the frequency of the Amtrak *Cascades* passenger rail service to Vancouver, and the State of Washington's Draft Long Term Plan for the *Cascades* service calls for frequency to increase to four daily trains by 2023.

One of the motivations for expanding this service is to transfer a portion of commuter car traffic between Seattle and communities such as Marysville and Mount Vernon to rail while Interstate 5 will be under major reconstruction and widening in the period up to 2009.

There are some challenges associated with expanded Amtrak service, although potentially these could be overcome. One problem at present is that the BNSF rail corridor from Seattle to

Vancouver is congested in many sections, especially north of the border. Expanding Amtrak service may first require expanding corridor capacity in the Vancouver region, such as by building long sidings to allow train passing.

Another possibility for passenger rail service in the region is the development of new or extended scheduled service from Seattle through Vancouver to Whistler. One variation on this concept includes transferring Alaska Railroad rolling stock from the Anchorage-Fairbanks line to Vancouver-Seattle service during winter months. In addition to rolling stock and capacity, there is no assurance that Amtrak would be granted running rights for its trains north of the border. However, the development or extension of any new passenger rail service through Vancouver to Whistler poses a number of logistical, legal, technical, and capacity issues that would not be easily overcome, and thus makes this highly improbable in the short to mid-term future. Such a development would also pit a publicly-subsidized American train service in competition with a privately owned B.C.-based operation that is already running a service between Vancouver and Whistler, which is both unfair and economically inefficient.

*A looming issue is the future of Amtrak.* The U.S. government owned corporation recently celebrated its 35<sup>th</sup> anniversary, but has come under intense criticism, with congressional and administrative calls for major reform. The days of business as usual with heavy federal subsidies may be ending. In 2005, the Amtrak board fired the CEO. The current administration has submitted budgets (subsequently overturned) to reduce subsidies to Amtrak, put greater reliance on states for funding, and to cut unprofitable service. It is unclear how this debate will sort itself out, given strong Amtrak support by some members of Congress, but there is a potential that Amtrak five years from now will be a different organization, with leaner public funding, and will be operating fewer trains.

### **5.3 Expanded Scheduled Intercity Passenger Rail: Opportunities and Issues for B.C.**

Overseas, rail tourism has been built on scheduled services. Rail tourism in European countries such as France, Germany, Switzerland, the United Kingdom and others have largely been built around scheduled passenger services. The same is true of Japan. It should be noted, however, that tourism use of these scheduled services are typically a small component of overall ridership. The compact geography and high population densities of these markets support high frequency services for the general population, allowing tourism to piggyback at modest additional cost.

It is clear from the review in Section 2 that B.C. does not enjoy the sort of scheduled intercity passenger rail service that is common in Europe, Japan and elsewhere, and our rail tourism market could be expanded by increasing the frequency, routes and range of destinations in British Columbia. For example, opportunities might include increasing VIA service on the Skeena service to daily, adding stops on the existing routes, extending the Vancouver route to Whistler, better schedule timing with cruise ship arrivals/departures, and possibly adding a new route.

However, while it may appear that B.C. has insufficient scheduled passenger rail service, the economic realities of such tourism services must be considered. Our large geography and low population densities may not be conducive to a high frequency or extensive passenger rail services. In general, passenger rail is most effective between major population centres or along

densely populated corridors. In B.C., the two largest population centres, Victoria and Vancouver, are separated by water and not serviceable by rail, and none of the other cities in B.C. could provide the necessary density to support scheduled passenger rail.<sup>x</sup> Furthermore, the level of investment needed to provide additional scheduled passenger rail in B.C. would be enormous, given our mountainous geography. In light of this, public funding toward transportation infrastructure would likely be more effectively spent by enhancing B.C.'s road, air and marine services. There is also the issue of the inefficiency of a tax subsidized service competing with a tax paying operator, which was raised in the previous section.

## **5.4 Expanded Destination Rail Services**

One area in which B.C. has excelled, and is without parallel virtually anywhere in the world, is in the provision of destination rail services. These services successfully take advantage of B.C.'s natural and cultural highlights to create a new and growing tourist market in B.C., one which spreads the benefits around B.C. The services provided by Rocky Mountaineer Vacations also operate during daylight hours, allowing B.C.'s spectacular services to be enjoyed by the tourists they serve.

Rocky Mountaineer Vacations has steadily expanded its product lines since it began service as the Great Canadian Tour Company in 1990. It now operates four major routes, and packages additional excursions with bus, ferry and scheduled passenger services.

This is one of BC's foremost entrepreneurial success stories. Allowing additional expansion without consideration of the impact on the existing operator could result in lower yields and profitability and ultimately degradation of service.

Rocky Mountaineer may in the future increase capacity on existing services and/or offer additional routes. However, as pointed out above, congestion on western rail corridors, especially on the route segment from Kamloops to Banff/Calgary may impose a practical constraint on expanded service.

Destination rail service could also potentially be extended to Prince Rupert from Prince George, but present demand levels will not support this expansion at present. This is discussed below in Section 5.7.

## **5.5 Potential Rail Link to Alaska**

The State of Alaska has been promoting the concept of a new rail line from Fairbanks to connect to CN Rail, likely at Fort Nelson. The primary motivation for this rail line is to haul freight to Alaska and minerals from Alaska and the Yukon, along a route that would likely follow the Alaska highway. If this railway were to be built, it would open up opportunities for new, very long haul tourism rail. Itineraries would likely begin in Anchorage and take Alaska Rail to Fairbanks, then travel east to the Yukon and into B.C. The cost of this rail line would be very high, and the initiative is likely to remain in the study phase for some time to come.

## **5.6 Fuel Prices – A Double Impact on Rail Tourism**

Fuel is a major expense for most modes of transportation. The increase in fuel prices in the last two years has had an impact on airlines, rail carriers, ferry operators and cruise lines. Many have responded by applying fuel surcharges to their passenger fares, including Air Canada, WestJet and B.C. Ferries.

Rail passenger service operators in B.C. have been doubly hit by the fuel price increases, particularly those catering to tourists. Not only have their own operating costs increased, reducing margins or increasing prices, but the means by which tourists arrive at B.C. have also increased in cost, whether it be by air, private car, rail or marine, which may lead to a combined significant dampening of demand.

## **5.7 Improving Rail Tourism Linkages to Cruise Itineraries**

Cruise passenger volumes at Vancouver grew by 10% per annum during the 1990s, reaching over 1.1 million in 2002. However, these volumes have since declined, down to 910,000 in 2005. A key factor in this decline has been increased competition from Seattle. New higher speed ships allow Seattle-originating itineraries to offer Alaska cruise packages which can stay within the 7-day window required for marketing and operational purposes. As well, the Port of Seattle and the community have invested heavily in facilities and marketing to attract the cruise lines to port in Seattle.

To avoid further decline in passenger numbers, Vancouver needs to develop a competitive edge over Seattle, and rail may be part of the solution. Destination rail provides an ideal complement to a cruise experience, offering unique sightseeing and high quality service. Furthermore, the service is unique to B.C.: Seattle does not currently offer any rail service of a similar nature, although it does offer daily scheduled passenger rail on Amtrak both the East and along the Pacific Coast. Rocky Mountaineer Vacations has already made some initial successful forays into this market, providing joint cruise/rail packages for its Rocky Mountain, Whistler, and Fraser Discovery routes.

An additional opportunity is to further develop or market passenger rail services to the developing cruise market at Prince Rupert (93,000 port of call cruise passengers visited Prince Rupert in 2005). Scagway and Anchorage have benefited from rail experiences which connect to cruise ship ports of call or cruise stops, in some cases with cruise ship patrons ending their cruise early to enjoy a rail experience within Alaska or to the Yukon. Prince Rupert could develop along similar lines. However, Rocky Mountaineer invested heavily in testing this market for two full seasons and found that cruise ship capacity in Prince Rupert is not yet large enough to support this line.

## **5.8 Improving Air Access – A Current Limit on Inbound Tourism**

A key element to boosting international passenger rail growth is improving air access. The Vancouver air gateway has long been constrained by a restrictive federal government international air policy. Some notable examples include:

- Neither French or Canadian air carriers are allowed to offer non-stop flights from Paris to Vancouver, in spite of strong interest by French carriers.
- Canada does not have an air services agreement with Singapore. Singapore Airlines operates to Vancouver (via Seoul) on a diplomatic exchange of notes which a) does not provide a permanent basis for the service and b) is severely limited in spite of repeated interest by Singapore Airlines to increase its service and capacity.
- Canada's air carriers have withdrawn from the Taiwan market, but the Taiwanese carriers are unable to expand their capacity due to limits in the diplomatic exchange of notes governing air services.
- In the past, the Chilean air carrier had expressed interest in serving Vancouver, but the Canada-Chile air services agreement does not allow a Chilean carrier to serve Vancouver.

Further liberalization of Canada's international airline policy would also help support the expansion of tourism related passenger rail.

Some travellers may be interested in a shorter rail experience that begins/ends "mid-point" of a rail service. Such travellers require convenient air or bus connections to/from "mid-points" such as Prince George/Quesnel and Kamloops. Currently, there is no low cost air carrier to Kamloops, in part due to the regional airport's runway length. Quesnel has limited air service (although nearby Prince George is served by Air Canada Jazz and WestJet). More travellers would consider "breaking" their trips if good service is available for them to add the rail experience.

## **5.9 Pursuing New Inbound Markets**

There is growth potential for passenger rail in B.C. that can contribute to tourism development through the development of expanding overseas markets. China is expected to become the fourth largest outbound travel market in the world by 2020 with 100 million travellers. Meanwhile, India is estimated to have 50 million outbound travellers by 2020. However, at present there is limited awareness of B.C. as a travel destination in China and India, which in turn affects the growth potential of the passenger rail industry. There is high hope that China's Approved Destination Status (ADS) designation for Canada could facilitate tourism growth, and with Vancouver being the "Pacific Gateway to North America," there is great potential in attracting overseas travellers from Asia to B.C. given adequate market strategy. Passenger rail operators, working with travel agencies and government, need to promote rail services in these overseas markets so that travellers would include rail tour in their itineraries while in B.C.

## **5.10 Potential New Products and Increased Capacity**

The day-trip rail tour also has growth potential. Rocky Mountaineer Vacations' Whistler Mountaineer service was close to fully booked for 2006, indicating locals and visitors are interested in new passenger rail tourism products. In addition, there are a number of possible enhancements to B.C.'s passenger rail network that could serve the needs of tourists. However, it should be noted that Rocky Mountaineer Vacations has an exclusive agreement with CN to operate on the BC Rail tracks, which was granted in order to warrant their significant investments in developing and maintaining these lines. Therefore, expansion along these routes will either need to be done

by Rocky Mountaineer or with their consent. In addition, the possible expansions highlighted below may be long-term considerations, or require numerous obstacles to be overcome prior to being undertaken:

- Rail service linking with the Alaska cruise stop at Prince Rupert might be developed at some point in the future, given adequate cruise passenger volumes.
- Similarly the Victoria-Courtney rail service could be better integrated and marketed to cruise ship passengers calling in Victoria.
- Destination rail capacity could be expanded on the Vancouver-Whistler corridor, or some form of scheduled passenger rail service might be extended beyond Vancouver to terminate in Whistler, pending increased demand and resolution of numerous legal and logistical issues.
- Scheduled passenger service and/or destination rail might be expanded beyond Vancouver to Kamloops, as that region's many four-season tourism opportunities continue developing.
- Short haul excursion train service or high-end destination service might be developed in the West Kootenay region, which at present has neither types of service.
- Amtrak service might be extended north from Spokane into the East Kootenays via the panhandle of Idaho.

## 5.11 2010 Opportunities

The Ministry of Economic Development in B.C. estimated that with adequate tourism marketing effort, the *incremental* economic impacts of hosting the 2010 Olympic Games will be a \$2.4 billion increase in GDP. In the 2004 budget, the Province committed to invest \$1.3 billion over three years to improve transportation infrastructure related to 2010 opportunities.

The Whistler Mountaineer Train could play an important role during the Olympics, transporting passengers between Vancouver and Whistler. Rocky Mountaineer Vacations offered to provide its railcars to VANOC at no cost for the duration of the 2010 Games, but this offer was not accepted. It is also unlikely that VIA Rail and/or Amtrak will provide additional passenger rail service during the Games.

The provincial government is a partner in the Cruise B.C. program that further develops the provincial and international cruise ship industry. The Province has also invested in upgrades to the Prince Rupert cruise ship terminal and is working with other B.C. ports. As mentioned earlier, the cruise ship and passenger rail industry can mutually benefit from the other's service improvements.

## 6.0 Conclusions

Rail tourism has been a growth market for B.C. over the last 15 years, and the province can now boast the finest tourism rail network in North America. This growth has primarily developed through the expansion of destination rail service by Rocky Mountaineer Vacations on full day and multi-day itineraries, in addition to some growth in scheduled passenger services by VIA Rail and Amtrak, and short trip excursion experiences.

While B.C. does not enjoy the sort of scheduled intercity passenger rail service that is common in Europe, Japan and elsewhere, its rail tourism market could be expanded by increasing the frequency, routes and range of destinations in British Columbia, and by further development of urban rail transit. With the right promotion and marketing, B.C.'s rail product could increasingly attract tourists from key growth markets, such as China, India, South Korea and Europe. In addition, new rail products can be developed such as day-trip rail journeys integrated with cruise, and alternative itineraries. By developing these opportunities, rail can play an important role in contributing to the B.C. government's target of doubling tourism revenues by 2015.

An extensive urban rail / rapid transit system will be key component of the tourism infrastructure required to support large-scale events such as the 2010 Olympics and similar events in the future, in addition to tourism in general. Thus in the long term horizon, there is a definite need for further development of urban light rail, especially south of the Fraser River where major population growth is expected. The Port Mann twin-bridge has the ability to accommodate light rail but there is a lack of funding for infrastructure connecting to the bridge, which falls outside the scope of the Province's Urban Gateway Strategy at this time.

Passenger rail service can also help increase tourism revenues and expand the rural and remote economies by bringing travellers to the less populated interior of B.C.

It is worth noting that any passenger rail strategy must be economically sustainable. Over expansion of service could undermine the price and quality of existing services, to the long term detriment of the market. Service should be right sized to the market, attracting high volumes of visitors by providing different levels of service at different price points. Perhaps more importantly, passenger rail should support the tourism industry's goal of increasing revenues by attracting high yield markets. In consideration of the sustained growth in destination rail developed by private operators, government policy should ensure the continued success of this key product sector.

## Notes

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<sup>i</sup> VIA Rail became a crown corporation in 1978, taking over the passenger rail services of CN and CP. VIA Rail operates with a federal government subsidy. In 2005, the operating subsidy was \$169 million, representing 37% of total revenues.

<sup>ii</sup> E&N Railway (previously known as the Esquimalt and Nanaimo Railway), is a shortline freight rail company operating the railway between Victoria and Courtney, with a spur from Parksville to Port Alberni. E&N passenger services are sold by VIA Rail.

<sup>iii</sup> Amtrak was created by the U.S. federal government in 1971, taking over the operation of passenger rail services from a number of U.S. railroads. Like VIA Rail, Amtrak operates with a government subsidy. In FY 2005, this subsidy was US\$1.2 billion.

<sup>iv</sup> The State of Washington funds four times daily service from Seattle to Portland, twice daily service from Seattle to Bellingham and once daily service to Vancouver as an extension of a Bellingham train. Four trainsets have been purchased which are also shared with Oregon funded service beyond Portland to Eugene. The State of Washington has set a target of reducing travel time from Seattle to Vancouver to three hours (from the current four), but this will require track improvements north of the border, which the State expects would be funded by the B.C. government. A key project is the construction of a siding which would allow freight trains at the border to move off the mainline while undergoing customs inspection.

<sup>v</sup> The VIA Rail *Canadian* service passes through British Columbia after dark.

<sup>vi</sup> Until 2003, the Okanagan Valley Wine train was operated between Kelowna to Vernon every Saturday from July to October. This service was discontinued in 2004 due to financial difficulties.

<sup>vii</sup> Source: Final Report of the Canada Transportation Act Review Panel, June 2001.

<sup>viii</sup> Passenger rail was provided on the B.C. Rail line between North Vancouver and Prince George until it was discontinued in 2002.

<sup>ix</sup> See Washington State Dept. of Transportation, *Draft Long Term Plan for Amtrak Cascades*, Feb. 2006.

<sup>x</sup> Even in the case of Victoria and Vancouver, it is not clear that these cities have large enough population centres to support passenger rail.