THIS TRAIN MEANS BUSINESS

PROGRESS REPORT No. 1
OF THE
SHINING WATERS RAILWAY

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... and numerous others who wish to remain anonymous.

About the Author

On the CTV television program, *W5*, Greg Gormick was described as a Toronto consultant "with a client list that reads like a *Who's Who* of Canadian transportation."

Gormick has worked as a writer, researcher, strategic analyst and policy advisor in the railway and transit fields since his 1978 graduation from Ryerson Polytechnical Institute's School of Journalism. He has reported on, for and to these industries extensively and has contributed his knowledge to numerous public agencies.

One of Gormick's most notable public sector roles was as transportation policy advisor to the Mayor, City Council and Economic Development Department of the City of Toronto. He provided strategic guidance on intercity rail passenger service, regional commuter rail operation, rail electrification and transit expansion. As well, Gormick was seconded to assist the Coalition of Corridor Mayors on intercity rail passenger issues.

The basis of Gormick's expertise is a solid grounding in real-world operations, planning and policy, gained from those veterans of the rail and transit industries who have tutored him throughout his career. His affiliation with these professionals results from frequent and lengthy assignments with such industry leaders as the Canadian Pacific Railway, Canadian National Railways, VIA Rail Canada, the Toronto Transit Commission, the Electro-Motive Division of General Motors, Bombardier Transportation and Skoda Transportation.

As a reporter and commentator, Gormick has used his experience to inform the public and the media on transportation initiatives and opportunities, particularly through his years of work for *The Toronto Star* and the Canadian Broadcasting Corporation. For 21 years, he served as Canadian contributing editor of the trade magazine, *Railway Age*, which included his *Passenger Rail Planner's Guide*, an annual review of the achievements and plans of every North American rail-based passenger and transit system.

Today, Gormick is transportation policy advisor to Peterborough MP Dean Del Mastro, who is also chair of the House of Commons All-Party Rail Caucus. Gormick's current work includes the re-establishment of the CPR Toronto-Havelock route as a municipally owned short line and re-launching Toronto-Peterborough passenger service.

Gormick is the author of *Wheels of Progress: Toronto Moves by Rail*. Due for publication in 2012 is his next book, *The Canadian: The Life and Times of the Last Streamliner*.

Executive Summary

1. The Challenge

The economic, environmental and social benefits of rail passenger and freight service are being increasingly recognized throughout North America. It is, therefore, not surprising that the elimination of VIA's Havelock-Peterborough-Toronto passenger service in 1990 and the future of the Canadian Pacific Railway (CPR) freight service have long concerned many residents, business people and elected officials in Peterborough, Havelock, Kawartha Lakes and Durham.

Spearheaded by MP Dean Del Mastro, a plan has evolved to incorporate the Shining Waters Railway (SWR) as the locally owned and managed vehicle to restore Peterborough-Toronto passenger and improve freight service from Toronto to Peterborough, Havelock and Blue Mountain.

The SWR plan is supported by a Government of Canada capital commitment of $150 million and an equal amount from the Government of Ontario, for a total of $300 million. Key supporters include five federal Cabinet Ministers, four Members of Parliament, every municipality along the route, the Eastern Ontario Wardens, the Greater Peterborough Chamber of Commerce, the Greater Peterborough Economic Development Corporation and the CPR.

2. The Shining Waters Railway Concept

Following models and best practices developed and applied successfully in a number of locations in Canada and the U.S., the SWR will be a locally governed railway owner and manager, but not an operator. All passenger and freight services, as well as track maintenance, will be provided under contract by experienced railway providers.

Key to all aspects of the SWR plan will be:

- The transfer by charitable donation of 107.2 miles of main track, spurs, sidings, structures and all land owned by the CPR, consisting principally of the Havelock Subdivision (Mile 90.78-178.0) and the Nephton Subdivision (Mile 0.0-20.0).

- Rehabilitation of the Havelock Subdivision from Peterborough George Street to the CPR's Toronto Yard (Mile 117.97-178.0) to Federal Railroad Administration (FRA) Class 4 standards for operation at a maximum permissible track speed of 80 mph for passenger trains and 60 mph for freight trains.

- Upgrading of the remainder of the Havelock Subdivision (Mile 90.78-117.97) and the Nephton Subdivison (Mile 0.0-20.0) to FRA Class 2 for freight operation up to 25 mph.

SWR freight service will be provided by a contract operator over the full length of the two subdivisions. The freight operator will provide the locomotives and crews required for day-to-day operations. Rolling stock will all be shipper-owned or leased.

Traffic will be interchanged with the CPR and, by extension, with the entire North American rail network at Toronto Yard. Revenue will be divided between the SWR, the third-party service provider, the CPR and other interline partners.

SWR passenger service will be operated from Peterborough George Street to Toronto Union Station, a distance of 76.5 miles, making use of the SWR's Havelock Subdivision (Mile 117.97-178.0) plus trackage rights on the CPR Belleville Subdivision and GO Transit's ex-CPR Don Branch to the Union Station Rail Corridor.

SWR passenger operations will be contracted to an experienced third-party rail service provider using SWR-owned rolling stock. Service frequency is expected to consist of two morning westbound/afternoon eastbound frequencies geared primarily to commuter needs from Monday through Friday. The service plan will include at least one return frequency on Saturdays, Sundays and statutory holidays. A 90-minute running time from Peterborough to Toronto is projected and the passenger station stops will be:

- Peterborough George Street;
- Peterborough Harper Road;
- Pontypool;
- Myrtle;
- Claremont;
- Locust Hill;
- Steeles Avenue East; and
- Toronto Union Station.

The Peterborough George Street site is owned and occupied by the Greater Peterborough Chamber of Commerce and the Harper Road site is owned by the City of Peterborough. Toronto Union Station is jointly owned by the City of Toronto and the Government of Ontario. The other station sites will occupy land currently owned by the CPR.

Except for the Chamber of Commerce's former CPR Peterborough station and Toronto Union Station, all locations will require new shelters and platforms. The communities have indicated a willingness to provide basic support, such as snow clearing and grounds maintenance.

Based on the 2010 Metrolinx study, daily ridership of 950 passengers in each direction is projected within one year of start-up, rising to 1,500 over 15 years. Based on information obtained from VIA, it is anticipated the passenger service will be self-supporting. Ridership, revenue and operating costs will be tested further as part of the business plan.

Completion of the full plan, including the restoration of Peterborough-Toronto passenger service, is projected for the third quarter of 2014.

3. The Shining Waters Railway's Heritage

The Havelock Subdivision was built in the 1880s by the CPR as part of its original Montreal-Toronto main line. When the CPR opened its so-called Lake Shore Line (now known as the Belleville Subdivision) in 1914, the Havelock Subdivision remained as an important secondary main line generating a considerable amount of freight and passenger traffic. More traffic was generated by the 1954 opening of the 20-mile Nephton Subdivision to tap the nepheline syenite mines north of Havelock.

However, government-funded construction of the highways diverted traffic from the railways, particularly after the Second World War. As a result, passenger service east of Havelock was discontinued in January, 1966. Freight service between Glen Tay and Tweed was discontinued in 1971 and the line was cut back to Havelock in 1987.

The CPR Havelock-Toronto passenger service was transferred to the newly-formed VIA Rail Canada, a federal Crown corporation, in 1979, and then discontinued on September 6, 1982. The service was revived in 1985 and once again discontinued in 1990.

4. Current Operating Conditions

Today, the CPR Havelock and Nephton Subdivisions are in FRA Class 1 condition, suitable for freight service at 10 mph and passenger service at 20 mph.

The Havelock Sub consists largely of 39-foot sections of jointed 100 lb. rail rolled in the 1920s and laid on wooden ties and dirt ballast. The infrastructure on the Nephton Subdivision dates to 1954. Both subdivisions are without signals and are operated under the computer-assisted Occupancy Control System (OCS), which is adequate for current CPR and planned SWR operations.

Based on estimates provided in 2007 by the CPR and in December 2010 by PNR Railworks, the cost to rehabilitate the SWR infrastructure to the standards discussed above will be approximately $108 million including 40 per cent contingency.

5. Economic Impacts

There are numerous working examples of community owned or managed rail projects throughout North America. The benefits they have brought to their regions include:

- diversion of traffic from other publicly supported modes of transportation;
- job creation during the construction or equipment manufacturing phases;
- ongoing jobs and economic spin-off from the operation;
- savings in health care costs due to diversion of traffic from less safe modes and reductions in emissions that affect the public's health;
- savings in national energy costs, given the higher energy efficiency and reduced fuel requirements of rail; and
- residential and/or commercial development and economic activity in the areas surrounding the stations and other facilities.

Industry associations such as the Association of American Railroads (AAR), the American Public Transportation Association (APTA), the Railway Association of Canada (RAC) and States for Passenger Rail (S4PR) have produced a series of calculators that may be used to arrive at general figures on the potential impact of any rail investment program. Applying these rule-of-thumb calculators to the preliminary financial requirements of the SWR reveals the following benefits:

ECONOMIC SPIN-OFF

INDUSTRY FORMULA	TOTAL PROJECT BUDGET ($300 MILLION)[1]	INFRASTRUCTURE REHABILITATION ($233 MILLION)[2]	ANNUAL OPERATING COST ($7.3 MILLION)[3]
AAR: TOTAL	$900 MILLION	$699 MILLION	$ 21.9 MILLION
APTA: TOTAL	$1.2 BILLION	$932 MILLION	$ 29.2 MILLION
APTA: CAPITAL	$900 MILLION	$699 MILLION	-
APTA: OPERATING	-	-	$ 23.4 MILLION
AVERAGE IMPACT	$1 BILLION	$776 MILLION	$24.8 MILLION

JOB CREATION

INDUSTRY FORMULA	TOTAL PROJECT BUDGET ($300 MILLION)[1]	INFRASTRUCTURE REHABILITATION ($233 MILLION)[2]	ANNUAL OPERATING COST ($7.3 MILLION)[3]
AAR: TOTAL JOBS	6,000	4,660	146
APTA: TOTAL JOBS	10,800	8,388	263
S4PR: TOTAL JOBS	9,000	6,990	219
AVERAGE IMPACT	8,600	6,679	209

[1] Total capital expenditure as per Government of Canada and Government of Ontario agreement
[2] SWR preliminary infrastructure and rolling stock capital cost estimate
[3] VIA Rail Canada estimate

6. Working Models

Throughout the U.S., state, regional and local governments have played a major role in expanding and even re-launching conventional intercity rail passenger services in partnership with the U.S. government's national passenger carrier, Amtrak. There are many aspects of the regionally- and state-supported passenger services in the U.S. that provide useful precedents to be followed in the establishment of the SWRA.

Maine's Downeaster

Of the U.S. main line passenger operations surveyed, the one that appears to bear the closest relationship to the proposed SWR passenger operation is Maine's Downeaster, linking Portland with Boston. It is funded jointly by the federal government through its national passenger operator, Amtrak, and the State of Maine. It is managed by the State of Maine's Northern New England Passenger Rail Authority.

There are many similarities in the population densities, operating conditions, travel patterns and the relationships with the major railways that make the Downeaster a model worth emulating. A 2008 study determined the service has been responsible for billions in long-term economic development and $55 million annually in state tax revenue.

Northern California's SMART Train

The Sonoma-Marin Area Rail Transit (SMART) train project will provide passenger service from the north side of San Francisco Bay at Larkspur to Healdsburg, 70 miles to the north on a rail line purchased by the municipalities. The remaining portions of the line were purchased by the publicly-owned North Coast Railroad Authority (NCRA), primarily to maintain freight service, but also to ensure for intercity and specialized tourist rail passenger service over the entire route.

Like the SWR, the SMART Train service is being managed by an authority composed of local government officials from the two counties it will serve.

Island Corridor Foundation

The Island Corridor Foundation (ICF) was formed in 2003 to take over all the CPR's former Esquimalt & Nanaimo Railway (E&N) infrastructure and operation on Vancouver Island. In addition to the freight service between Victoria, Nanaimo, Courtenay and Port Alberni, the line is also served by VIA's Malahat Dayliner.

In 2006, the CPR donated its 139-mile portion of the E&N and provided $2.3 million in seed money. Following that transaction, RailAmerica donated its portion of the E&N to the ICF. On July 1, 2006, the ICF contracted with the Southern Railway of British Columbia (SRBC) to operate the freight service. The passenger service is a partnership between the ICF and VIA. Day-to-day operating support is provided by the SRBC.

Ontario's Municipally Owned Short Line Railways

Three short lines of interest to the SWR are municipally owned and operated under contract by experienced short line railway companies. These are:

- Orangeville-Brampton Railway (OBRY);
- Barrie-Collingwood Railway (BCRY); and
- Guelph Junction Railway (GJR).

All three were formed by the municipalities because of the economic damage that would have been done to their employment and tax bases had the lines been abandoned.

In all three cases, the municipalities aimed to not just support existing industries, but to attract new ones dependent on rail transportation for inbound and/or outbound shipments. Additionally, two of these short lines have supported specialized tourist and dinner train operations benefitting many other businesses within their communities.

Ontario's Municipally Owned Short Line Contractors

All three of the above short lines are operated under contact by experienced private firms. Cando Contracting Ltd., of Brandon, Manitoba, is the contract operator of the OBRY and the BCRY. The GJR is operated under contract by the Ontario Southland Railway (OSR). These firms have been consulted in the preliminary work on the establishment of the SWR and they have provided some information and guidance.

7. Passenger Equipment Options

As was demonstrated in the past, the Peterborough-Toronto service is a "multi-tasker" and it is anticipated the SWR passenger service will be:

- a weekday morning-in/afternoon-out commuter service;
- a stand-alone, regional intercity service;
- a feeder to the VIA national and GO regional networks;
- a tourism generator; and
- a link for air travellers when GO's Union-Pearson Airport Rail Link opens in 2015.

Three types of equipment have been considered for the SWR service. The preferred option is fully remanufactured, self-propelled Budd rail diesel cars (RDC), identical to those previously used on the route.

This stainless steel equipment is robust, service proven, flexible and cost-effective in all respects. The RDCs used first by the CPR and later by VIA deliver the right combination of speed, safety and comfort for the Peterborough-Toronto route. They are excellent value for money.

Budd RDCs – some rebuilt several times over – are in daily service in various locations across North America, including two VIA Rail Canada routes. They will deliver decades of reliable frontline service at reasonable cost.

The self-propelled, diesel-powered RDC was built by the Budd Company and its licensees between 1949 and 1962 to fulfill several roles ranging from dense commuter service to light-density rural branch line runs. The RDC dramatically lowered railway operating costs compared to locomotive-hauled trains. It provided a modern, attractive and fast service option for a wide range of applications.

Among the reasons for this cost reduction was the fact that RDCs could be operated under a reduced-crew agreement with the railway operating unions. This agreement still applies and it will be a factor in the analysis of the SWR's equipment options.

The Moncton remanufacturing firm, Industrial Rail Services, Inc. (IRSI), is currently rebuilding VIA's six RDCs for continued operation and has 27 former VIA RDCs available for remanufacturing. The per-car cost would be approximately $3 million.

A variant IRSI proposal based on designs developed for VIA would use two powered RDCs hauling a non-powered Budd stainless steel coach. The cost per three-car set would be $9 million.

As well, the remanufactured RDCs will meet the latest Tier 4 emission levels, while rebuilt diesel locomotives used to haul non-powered coaches will probably not get better than Tier 0 and will suffer a fuel penalty to even meet that standard

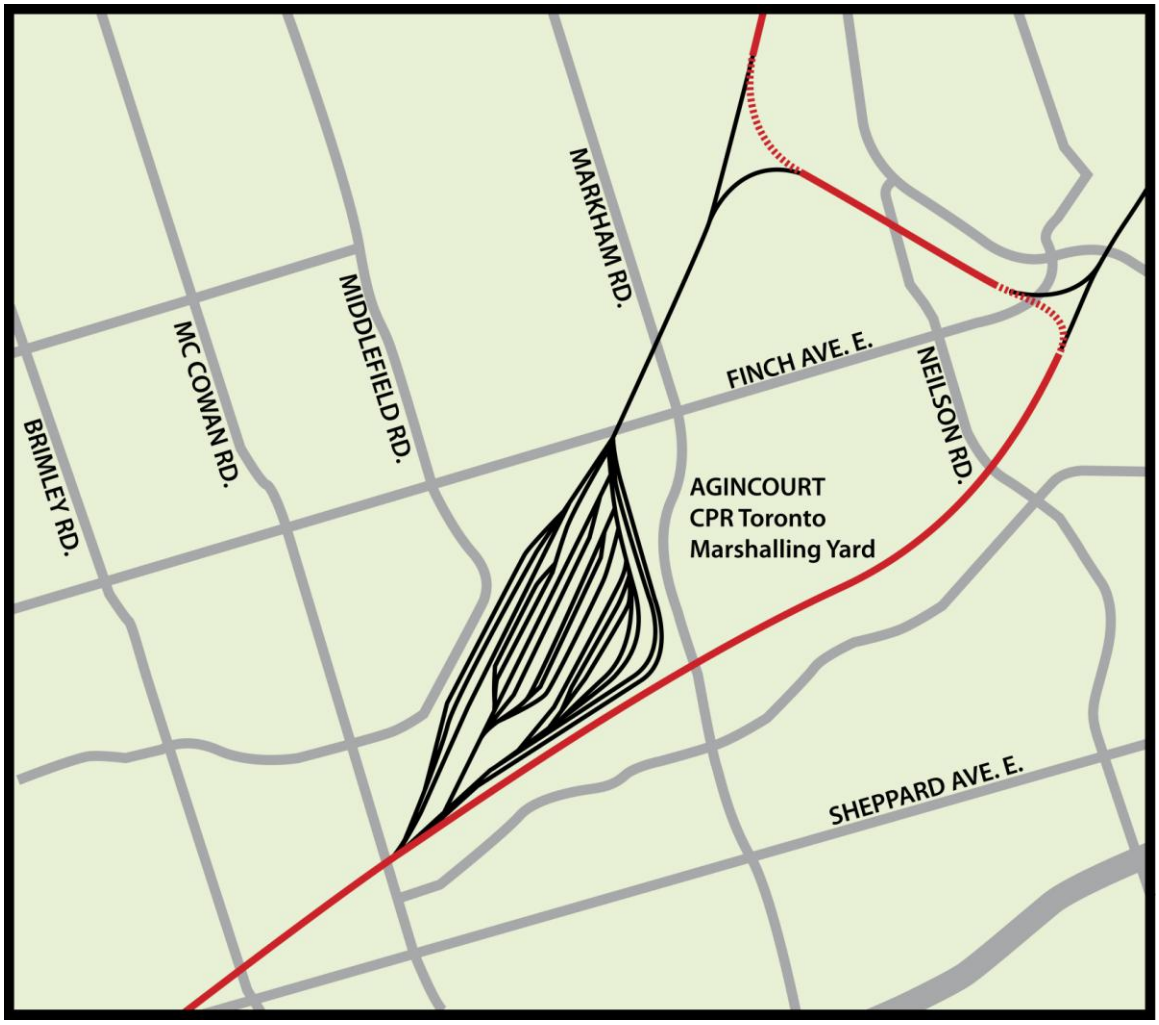
It is recommended that members of the SWR steering committee visit the IRSI remanufacturing facility in Moncton to inspect the VIA RDCs now undergoing rebuilding, as well as the company's prototype demonstrator car. Bringing the demonstrator RDC to the SWR for evaluation and exhibition is now being explored.

8. The Passenger Route Options

The traditional **Legacy Route** for Peterborough-Toronto passenger trains was west along the Havelock Subdivision to its junction with the Belleville Subdivision, near Toronto's Kennedy Road, then west to Leaside and south down the Don Branch to Toronto Union Station. This route has been identified by CPR staff as somewhat problematic – but certainly not impossible – due to operational considerations at Toronto Yard. To remedy these potential conflicts, the Metrolinx study suggested three routing options. These three Metrolinx options would be expensive and seriously delay the implementation of SWR passenger service.

Subsequently, three additional routing options were identified by members of the SWR steering committee. Of these, the option known as the **Staines Route** would require the least investment. It involves the construction of a new connecting track from the Havelock Subdivision just east of Toronto Yard to the CPR Staines Cross Connection plus a new connection to the Belleville Subdivision near the street intersection of Finch and Morningside.

The **Legacy Route** and the **Staines Route** have been investigated by CPR staff and validated as technically feasible and cost-effective. The SWR will work with CPR staff to select the better of these two options.



9. Transit-Oriented Development Factors

One of the major benefits of the SWR passenger service will be its use as a transit-oriented development (TOD) tool to encourage sustainable development and economic activity linked to public transportation and prevent automobile-induced urban sprawl.

TOD is one of the cornerstones of several recent Provincial initiatives, including the Growth Plan for the Greater Golden Horseshoe (GGH), developed under the *Places to Grow Act, 2005*. Metrolinx itself is part of this initiative and its keystone study, *The Big Move*, is based on TOD principles.

The Metrolinx Toronto-Peterborough study also presented some of the sustainable growth prospects for the communities along the Havelock Subdivision. Among the existing plans that will be positively affected by the SWR passenger service are the City of Peterborough Central Area Master Plan, Central Pickering Development Plan and others in and around Toronto. Also to be considered is the development of the Pickering Airport Lands.

Furthermore, the SWR's freight service can be used to direct industrial development, sustaining existing industries and fostering new ones. Capital investment in the SWR for passenger service will also benefit current and future freight shippers.

10. Next Steps

- Finalize the incorporation of the SWR
- File for charitable status
- Complete economic impact study
- Complete five-year financial plan
- Hire engineering firm and receive detailed work plan and refined estimates
- Memorandum of Understanding from the CPR
- Fair market value report from the CPR
- Transport Canada agreement covering transfer of CPR assets to SWR
- Negotiate freight revenue sharing agreement with the CPR
- Tender capital projects
- Commence infrastructure reconstruction April 2012
- Completion of full project and re-launch of passenger service on July 1, 2014

11. Contact Information

To apply for membership on the Shining Waters Railway Board of Directors or to submit letters of support, please use the following mailing addresses:

Office of MP Dean Del Mastro
1875 Lansdowne St W
Box 21030
Peterborough, Ontario K9J 8M7

Greater Peterborough Chamber of Commerce
175 George St N
Peterborough, Ontario K9J 3G6

1. The Challenge

The role of railroading – passenger and freight – in building communities and economies is well known. The recent celebration of the 125th anniversary of the completion of the transcontinental Canadian Pacific Railway (CPR) underscores this. Before the building of the so-called "wedding band of Confederation," Canada was a patriotic notion, but hardly a practical nation. The driving of the CPR's last spike on November 7, 1885, at Craigellachie, B.C., changed that forever. Canada was now a nation – and an economy – from sea unto sea.

The completion of the individual components of Canada's transcontinental railway system had an equally dramatic effect on each of the regions those pioneering railways served. The growth and development of Peterborough and other communities along the route from Montreal, Ottawa and Smiths Falls to Toronto are perfect examples of how railways did – and still do – economically and socially energize the towns and cities they serve. Conversely, the abandonment or even the threat of elimination of these rail services places cities and entire regions at a competitive disadvantage with those which have retained and expanded their rail options.

The community-building role of the railway is not only alive and well, it is experiencing a renaissance. While Europe has always remained highly rail dependent, the situation was much different in North America in the period after the Second World War. Government investment in other forms of transportation and changing business conditions brought the industry to crisis on several occasions. But the superiority of railroading – with its low-friction, high-efficiency technology – was never vanquished.

Today, the multiple economic, environmental and social benefits of rail passenger and freight services are recognized throughout North America. Both private corporations and public agencies are increasingly participating in what is nothing short of a continental rail renaissance. As the visionary director of the International Union of Railways said back in the 1950s, "The 21st Century will belong to the train ... if only it can survive the 20th Century." Obviously, it has and it is now thriving worldwide.

It is not surprising, therefore, that there has been a public call for the restoration of the Havelock-Peterborough-Toronto VIA Rail Canada passenger service since it made its last run on January 14, 1990. Concerns about the long-term outlook for the CPR freight service and the railway itself have only heightened the anxiety of many residents and business people in Peterborough, Havelock, Kawartha Lakes and Durham.

These public concerns – coupled with his own belief in the untapped potential of the railway – motivated MP Dean Del Mastro to pursue the issue soon after he was first elected to Parliament in 2006. What has evolved is the current plan to incorporate the Shining Waters Railway Corporation (SWR) as the locally owned and managed vehicle for the delivery of restored Peterborough-Toronto passenger service and improved freight service along the entire corridor from Toronto to Peterborough, Havelock and Blue Mountain.

This federal government supports such a plan and has not only committed $150 million to the project, but has secured a commitment from the Government of Ontario to make an equal investment.

In addition to the leadership role played by MP Del Mastro, other federally-elected officials providing strong support include:

- Hon. Jim Flaherty, Minister of Finance and MP for Whitby-Oshawa;
- Hon. John Baird, Minister of the Environment, former Minister of Transport, Infrastructure and Communities, and MP for Ottawa West-Nepean;
- Hon. Chuck Strahl, Minister of Transport, Infrastructure and Communities, and MP for Chilliwack-Fraser Canyon;
- Hon. Bev Oda, Minister of International Development and MP for Durham;
- Hon. Rob Merrifield, Secretary of State (Transport);
- Colin Carrie, MP for Oshawa;
- Barry Devolin, MP for Haliburton-Kawartha Lakes-Brock; and
- Daryl Kramp, MP for Prince Edward-Hastings.

As well, letters of expressed support have been received from every municipality along the route. In August 2010, the SWR was highlighted as a top infrastructure priority in a motion passed by the Eastern Ontario Wardens. Tremendous support and encouragement has also been generously provided by the Greater Peterborough Chamber of Commerce and the Greater Peterborough Economic Development Corporation.

Special mention must also be made of the cooperative and supportive role the CPR is playing. It would not be possible to pursue this plan without the company's willingness to transfer by charitable donation all of the rail lines, lands and related facilities that will comprise the new SWR.

There is no question that such a groundbreaking project carries with it substantial challenges. It will require an incredible amount of team work and dedication by all those who want to see it succeed. But the shared experiences of others who have gone down this path elsewhere prove it is thoroughly "doable" and will bestow multiple benefits on the communities and regions it serves.

This first interim progress report documents the steps that have been taken so far, the precedents which can be followed and the work that lies ahead in the campaign to expand the economic, social and environmental benefits of improved rail service for Peterborough and all the communities along the line.

2. The Shining Waters Railway Concept

Following models and best practices developed and applied successfully in a number of locations across Canada and the U.S., the SWR will be a locally-governed railway owner and manager, but not an operator. All passenger and freight services, as well as day-to-day maintenance, will be delivered under contract by experienced railway providers.

Key to all aspects of the SWR will be the transfer by charitable donation of the assets owned by the CPR and currently operated as its Kawartha Lakes Railway (KLR) internal short line. This will include the 107.2 miles of main track plus all industrial spurs, sidings, structures and land owned by the CPR. This consists principally of the Havelock Subdivision from the current end of track just east of Havelock to the connection with the CPR's main line system at Toronto Yard (Mile 90.78-178.0), as well as the Nephton Subdivision from Havelock to Blue Mountain (Mile 0.0-20.0).

Rehabilitation of these assets is vital to the success of the SWR and its service plan. This will involve the complete rebuilding of the Havelock Subdivision from Peterborough George Street to the CPR's Toronto Yard (Mile 117.97-178.0) to U.S. Federal Railroad Administration (FRA) Class 4 standards, allowing for operation at a maximum permissible track speed of 80 mph for passenger trains and 60 mph for freight trains.

The remaining active portion of the Havelock Subdivision (Mile 90.78-117.97) and the Nephton Subdivison (Mile 0.0-20.0) will require less intensive upgrading to FRA Class 2 standards to increase the maximum permissible track speed for freight service to 25 mph.

Under SWR ownership, freight service will be provided by a contract operator over the full length of the two subdivisions. The freight service operator will provide the locomotives and crews required for day-to-day operations; SWR will not own the motive power or employ the crews. Freight rolling stock will all be shipper owned or leased.

Freight traffic will be interchanged directly and seamlessly with CPR's transcontinental, cross-border freight system – and with the entire North American rail freight grid – at the railway's Toronto Yard, one of its core system marshalling yards.

All freight traffic is initially expected to be of an interline nature, with inbound loads originating and outbound loads terminating on the CPR or other North American railways. Revenue will be divided under industry-accepted contractual rates negotiated between the SWR, the third-party service provider, the CPR and other interline partners.

SWR passenger service will be operated from Peterborough George Street to Toronto Union Station, a distance of 76.5 miles, making use of the SWR's Havelock Subdivision (Mile 117.97-178.0) plus trackage rights west on the CPR Belleville Subdivision to Leaside and then south on the provincially-owned ex-CPR Don Branch to the Union Station Rail Corridor.

As with the freight service, the operation of the SWR passenger trains will be contracted out to an experienced third-party rail service provider. Preliminary conversations regarding its potential role as the contract service provider have taken place with VIA Rail Canada, the Crown corporation that provides the bulk of Canada's federally mandated rail passenger service coast-to-coast.

Whether through a contract with VIA or another experienced third-party provider, the passenger service will make use of SWR-owned passenger rolling stock. This is discussed in detail later in this report.

Service frequency and scheduling are expected to closely follow the weekday pattern proposed in the Metrolinx study. This would consist of two morning westbound/afternoon eastbound frequencies geared primarily to commuter needs from Monday through Friday.

Unlike the Metrolinx study's service concept, the SWR would also operate at least one return frequency on Saturdays, Sundays and statutory holidays, scheduled to accommodate a wider variety of non-commuter needs. In all cases, a running time of approximately 90 minutes from Peterborough George Street to Toronto Union Station is projected. It should be noted that a comparable schedule was achieved as far back as the mid-1950s by the CPR.

The passenger station stops proposed are:

- Peterborough George Street;
- Peterborough Harper Road;
- Pontypool;
- Myrtle;
- Claremont;
- Locust Hill;
- Steeles Avenue East; and
- Toronto Union Station.

With the exception of the Peterborough Harper Road location, all are station stops previously served by the CPR and VIA passenger services. The Peterborough George Street site is the former CPR Peterborough station, which is now owned and occupied by the Greater Peterborough Chamber of Commerce. The new Harper Road site is owned by the City of Peterborough, which acquired it in anticipation of a passenger service re-launch. Toronto Union Station is jointly owned by the City of Toronto and the Government of Ontario's Metrolinx.

The other station sites will occupy land currently owned by the CPR, which will be conveyed to the SWR as part of the donation of assets.

Except for the Chamber of Commerce's former CPR Peterborough station and Toronto Union Station, all station facilities and platforms have been removed. This will require the construction of new, basic facilities. These will consist of shelters to protect passengers from the elements and platforms of a sufficient length to accommodate the proposed passenger trains.

Early discussions with the affected communities have indicated a willingness on their part to provide basic support services, such as clearing snow from the platforms in the winter and maintaining the surrounding station grounds year-round. This matter must be explored more fully as we move forward.

While station stops at the former CPR Agincourt and Leaside stations would be desirable, they would be difficult to implement at this time. Both would be located on the CPR's busy Belleville Subdivision and could result in delays to freight trains or capacity constraints. The requirements for future station stops at these locations within the City of Toronto and the possible connections that could be made with Toronto Transit Commission services should be investigated after the initial passenger service has been successfully implemented.

The Metrolinx study predicted ridership of approximately 1,500 passengers in each direction. This forecast will have to be tested further as part of the business plan, especially since the SWR concept includes weekend service, will use a different type of equipment and will not include two stations within the City of Toronto that were included in the Metrolinx study.

Based on information obtained from VIA, it is anticipated the passenger service will be self-supporting and will not require an ongoing operating subsidy. This, too, must be tested further as part of the business plan.

Completion of the SWR rehabilitation project and the restoration of Peterborough-Toronto passenger service are projected for the third quarter of 2014.

CPR "Peterboro" station, June 26, 1960. Photo by Ray Corley from the James A. Brown Collection.

3. The Shining Waters Railway's Heritage

To appreciate the SWR concept, it is important to have at least a basic knowledge of the history of the CPR lines to be acquired and rehabilitated. This is not history for history's sake. The SWR vision is related to the original concept and its 127-year evolution.

The Havelock Subdivision was built in the 1880s by the CPR using the charter of the Ontario & Quebec Railway, which had been leased in perpetuity in 1884. The line was part of the CPR's Montreal-Ottawa-Smiths Falls-Toronto main line, which was operated as a component of the transcontinental system the CPR was then building west to Vancouver. Peterborough-Toronto passenger service was inaugurated on June 28, 1884, and through service to Smiths Falls, Ottawa and Montreal began on August 11, 1884.

In 1914, the CPR opened its so-called Lake Shore Line (now known as the Belleville Subdivision), which cut off from the Havelock Subdivision at Agincourt and rejoined it at Glen Tay. The new line served Oshawa, Port Hope, Cobourg, Trenton and Belleville. It had fewer curves and grades than the Havelock Subdivision, which had previously been considered for double-tracking and some major route realignment east of Havelock.

Upon its opening, the Belleville Subdivision became the CPR's principal through-freight main line. The Havelock Subdivision remained as an important secondary route, generating considerable online freight traffic and serving as a valuable bypass line used to provide capacity relief for the Belleville Subdivision. As well, through and local passenger traffic east and west of Peterborough remained substantial.

Last scheduled steam-powered run of CPR train #605 on October 26, 1957. Photo by Ray Corley from the James A. Brown Collection.

After the First World War, the government-funded construction of the highways began to undermine the virtual monopoly of the railways and diverted both freight and passenger traffic. Although this trend escalated after the Second World War, the CPR made many attempts to improve service. The most notable was the replacement in the 1950s of many of the line's steam-powered, conventional passenger trains with self-propelled Budd rail diesel car (RDC) equipment, known on the CPR as Dayliners.

The fast, lightweight RDCs were popular with passengers, but it was still difficult for the CPR to maintain an extensive and profitable passenger service in the face of subsidized non-rail competition. As a result, passenger service east of Havelock to Smiths Falls and Ottawa was discontinued in January, 1966, depriving many passengers of a rail travel option and reducing the potential passenger market. Nonetheless, a useful level of service west to Peterborough and Toronto remained.

CPR Budd RDC-1 Dayliner 9051 operating as train #603 to Toronto Union Station at Peterborough, Ontario, July 1956. Photo by James A. Brown.

The most encouraging development in the post-Second World War era was the CPR's construction of the 20-mile Nephton Subdivision to tap the nepheline syenite mines north of Havelock, now owned and operated by Unimin. The line opened on December 20, 1954. Its importance grew over the years as other freight traffic shifted to trucking. Today, these mines generate in excess of 90 per cent of the revenue of the combined Nephton and Havelock Subdivisions.

By the late 1960s, the CPR elected to focus on long-haul freight movements and prune its network of light-density trackage catering to shorter, regional freight hauls. As a result, freight service between Glen Tay and Tweed was discontinued in 1971 and the 60.9 miles of track was lifted. The line was cut back a further 28.3 miles to Havelock in 1987. The Glen Tay-Havelock right-of-way remains largely intact under CPR ownership.

VIA RDCs operating as train #189 westbound at Peterborough on a Sunday afternoon in 1981. Photo by David Onadera.

The CPR Havelock-Toronto passenger service was transferred to the newly-formed VIA Rail Canada, a federal Crown corporation, in 1978. Under a system-wide funding cut in November, 1981, the federal government gave the Government of Ontario until 1982 to take over VIA's Toronto-Havelock, Toronto-Barrie and Toronto-Stouffville trains, which it deemed to be commuter services. The Province took over the services to Stouffville and Barrie (cut back to Bradford) under GO Transit, but not to Havelock, which carried 124,000 passengers in its last year of service. It was discontinued on September 6, 1982.

In 1985, largely due to the dogged efforts of Peterborough MP Bill Domm, the Government of Canada revived VIA's Havelock-Toronto passenger service using the Budd RDC equipment that had traditionally been employed on the line. However, in order to do so, VIA had to invest $5 million in the CPR's infrastructure, which had deteriorated after the passenger train was removed in 1982.

The restored Havelock-Toronto service was popular, but VIA was short of equipment at the time and never able to fully meet passenger demand with its two-car RDC train. The service had been introduced on a two-year experimental basis and continuation could only be assured by reaching certain ridership and revenue targets, which it did. Despite its popularity, it was once again discontinued on January 14, 1990, as part of a nation-wide VIA cutback plan that slashed 52 per cent of the national system.

Additional historical information on the Havelock and Nephton Subdivisions may be found in **Attachment A**.

4. Current Operating Conditions

The CPR Havelock and Nephton Subdivisions are in adequate condition for a freight branch line with moderate traffic. However, the infrastructure is not up to the standards required for a competitive passenger service or greatly expanded freight traffic, especially given the increasing use of rolling stock with allowable axle loads of 286,000 lbs.

The last major infrastructure work on the Havelock Subdivision was undertaken with federal funding in 1985 to prepare the line for the VIA service reintroduction. Prior to the VIA discontinuance in 1982, the maximum passenger speed was 50 mph and the line was considered Class 3, as defined by the industry-wide standards of the U.S. Federal Railroad Administration (FRA).

FRA Track Classifications

TRACK CLASS	FREIGHT SPEED	PASSENGER SPEED
Excepted	Under 10 mph	Not allowed
Class I	10 mph	15 mph
Class 2	25 mph	30 mph
Class 3	40 mph	60 mph
Class 4	60 mph	80 mph
Class 5	80 mph	90 mph
Class 6	110 mph	110 mph
Class 7	125 mph	125 mph
Class 8	160 mph	160 mph
Class 9	200 mph	200 mph

Since the discontinuance of the passenger service in 1990, track work has been performed only on an "as required" basis to safely meet the low-speed requirements of the current freight-only operation. The line was downgraded to Class 2 in 1996, when the CPR's KLR internal short line was established. It has subsequently been reduced to Class 1.

The CPR believes the level of traffic – about 5,000 carloads annually – does not justify the substantial investment required to improve the line's condition under its own cost structure. The prospects for the line under continued CPR ownership are dim.

The Toronto Yard-Peterborough portion of the line was inspected on October 15, 2010, by Dean Del Mastro, Greg Gormick and Alan Wilson, in the company of the CPR's Les Kohlman, manager of the KLR, and CPR government affairs manager Randy Marsh. This was a "hi-rail" inspection, made in a light van equipped with retractable railway wheels. Stops were made at numerous points to inspect track, bridges, station sites and route options.

The Havelock Subdivision consists largely of 39-foot sections of jointed 100 lb. rail rolled in the 1920s and laid on wooden ties and dirt ballast. The infrastructure on the Nephton Subdivision is newer, the line having been built and opened in 1955. However,

it, too, has seen heavy use by trains with high axle loadings. Both subdivisions are without signals, being known as "dark territory." Trains are operated under the computer-assisted Occupancy Control System (OCS), which is adequate for current CPR and planned SWR operations.

The actual condition of the two subdivisions remains to be assessed by independent, certified professionals who are familiar with line rehabilitation requirements and costs. The line was last analyzed by the CPR's Track Evaluation Car train in August 2010. The CPR's provision of this high-tech track analysis has been requested, as well as the latest data on the condition of the various bridges, culverts and other structures along the line.

Experts in rail rehabilitation who have been consulted indicate there are many positive aspects to undertaking the reconstruction of the Havelock and Nephton Subdivisions at this time. The line is not as deteriorated as many others that have been sold by Class I freight railways to other publicly- or privately-owned short line operators. It can be operated on Day One, albeit with the speed restrictions now in place. The objective is FRA Class 4 standards from Peterborough George Street (Mile 117.97) to Toronto Yard (Mile 178.0) and Class 2 on the remainder of the route network.

Furthermore, those engaged in rail line maintenance and rehabilitation report it is currently a buyer's market for high-quality used track materials. Heavier, 115 lb. welded rail, rail fixtures such as tie plates and fasteners, and various other materials are all available at competitive prices today. The CPR has indicated a willingness to provide some or all of these materials on a competitive cost basis, dependent on availability.

Based on estimates provided in July 2007 by the CPR and in December 2010 by PNR Railworks, the cost to rehabilitate the SWR infrastructure to the standards discussed above will be approximately $108 million with a 40 per cent contingency.

In short, there are no physical impediments to restoring the Havelock Subdivision to passenger standards within a reasonable amount of time and in a cost-effective manner.

5. Economic Impacts

There are numerous working examples of community owned and managed rail restoration and expansion projects throughout North America, especially in the U.S. Some are purely passenger operations, some are purely freight, while others handle both types of traffic. The common denominator is that the inspiration and guidance for these projects has come from the communities and stakeholders they serve.

Contact has been established with a number of these operators. Each has emphasized that they learned some lessons the hard way and they are eager to see others not go through these experiences. Issues ranging from liability, the access that adjacent property owners may have to the right-of-way, the selection of reliable passenger equipment and the establishment of a workable relationship with the connecting freight railway were among the topics they raised.

All of these locally-driven regional rail owners and service providers have asserted that they have made positive economic contributions to the areas they serve. While the evidence they have provided is generally anecdotal, it is still strong and persuasive.

Among the benefits they have cited are:

- Diversion of traffic from other publicly-supported modes of transportation, such as highways, making investments in capacity expansion unnecessary.
- Job creation throughout the project's supply chain during the construction or equipment manufacturing phases.
- Ongoing jobs and economic spin-off from the operation itself and its consumption of purchased supplies and services.
- Savings in health care costs due to diversion of traffic from less safe modes, such as the highways, and reductions in emissions that affect the public's health.
- Savings in national energy costs, given the higher energy efficiency and reduced fuel requirements of rail.
- Residential and/or commercial development and economic activity created in the areas surrounding the stations and other facilities.

In its April 2009 *Vision for High-Speed Passenger Rail in America*, the U.S. government broadly outlined the benefits of public investment in both conventional and high-speed rail passenger service:

- *Ensure safe and efficient transportation choices.*
- *Promote the safest possible movement of goods and people, and optimize the use of existing and new transportation infrastructure.*
- *Build a foundation for economic competitiveness.*
- *Lay the groundwork for near-term and ongoing economic growth by facilitating efficient movement of people and goods, while renewing critical domestic manufacturing and supply industries.*

- *Promote energy efficiency and environmental quality.*
- *Reinforce efforts to foster energy independence and renewable energy, and reduce pollutants and greenhouse gas emissions.*
- *Support inter-connected, livable communities.*
- *Improve quality of life in local communities by promoting affordable, convenient and sustainable housing, energy and transportation options.*

Now, as all levels of government are awakening to the benefits of improved and increased rail passenger and freight service, more attention is being devoted to quantifying these benefits. Various rail and transit industry associations have analyzed a wide range of projects and produced a series of calculators that may be used to arrive at general figures on the potential impact of any rail investment program.

Association of American Railroads (AAR)

- Every $1 million of investment in rail infrastructure generates $3 million in economic activity, according to U.S. Department of Commerce data.
- Each $1 million of investment in rail infrastructure to expand capacity creates an estimated 20 jobs.
- Railways invest 40 cents out of every revenue dollar right back into the rail network, more than twice the rate of other industries.

Railway Association of Canada (RAC)

- It is estimated that Ontario's short lines allow for savings in transportation costs between $265 million to $616 million annually.
- Additional socio-economic benefits derived from Ontario's short line railways are between $136 million to $559 million annually.
- Total benefits of Ontario's short lines to both shippers and society is between $391 million and $1,175 million annually. Further, the lack of viable alternatives to short line service may skew the results towards the upper portion of this range.
- Ontario's short lines improve a number of broader socioeconomic indicators, notably reductions in greenhouse gases (GHGs) and other forms of air pollutants.
- If all traffic currently moved by Ontario's short lines was moved by truck, there would be an additional 73,114 tonnes of GHGs emitted annually.

In support of a recent Ontario freight short line investment proposal, the RAC also produced the following data on the likely job creation benefits:

- $1 million of short line infrastructure investment creates 5.8 jobs.
- One short line railway job is created for each 2,408,000 revenue tonne kilometres of traffic carried, based on the current employee/revenue tonne kilometre performance of Ontario's short lines.

American Public Transportation Association (APTA)

- $1 million invested in public transportation generates $4 million in economic returns.
- $1 million in public transportation supports and creates 36 jobs.
- $1 million in capital investment in public transportation yields $3 million in increased business sales.
- $1 million in operating investment yields $3.2 million in increased business sales.

States for Passenger Rail (S4PR)

- $1 million spent on passenger rail projects creates 30 new jobs.
- Train stations are active catalysts for economic growth with many being developed into mixed-use properties that include offices and retail.

Applying these rule-of-thumb calculators to the preliminary financial requirements of the SWR produces the following general findings on the railway's impact on economic activity and job creation:

ECONOMIC SPIN-OFF

INDUSTRY FORMULA	TOTAL PROJECT BUDGET ($300 MILLION)[1]	INFRASTRUCTURE REHABILITATION ($233 MILLION)[2]	ANNUAL OPERATING COST ($7.3 MILLION)[3]
AAR: TOTAL	$900 MILLION	$699 MILLION	$ 21.9 MILLION
APTA: TOTAL	$1.2 BILLION	$932 MILLION	$ 29.2 MILLION
APTA: CAPITAL	$900 MILLION	$699 MILLION	-
APTA: OPERATING	-	-	$ 23.4 MILLION
AVERAGE IMPACT	$1 BILLION	$776 MILLION	$24.8 MILLION

JOB CREATION

INDUSTRY FORMULA	TOTAL PROJECT BUDGET ($300 MILLION)[1]	INFRASTRUCTURE REHABILITATION ($233 MILLION)[2]	ANNUAL OPERATING COST ($7.3 MILLION)[3]
AAR: TOTAL JOBS	6,000	4,660	146
APTA: TOTAL JOBS	10,800	8,388	263
S4PR: TOTAL JOBS	9,000	6,990	219
AVERAGE IMPACT	8,600	6,679	209

[1] Total capital expenditure as per Government of Canada and Government of Ontario agreement
[2] SWR preliminary infrastructure and rolling stock capital cost estimate
[3] VIA Rail Canada estimate

6. Working Models

Throughout the U.S., state, regional and local governments have played a major role in expanding and even re-launching conventional intercity rail passenger services in partnership with the federally-owned national passenger carrier, Amtrak. Under these agreements, a series of highly useful and much-used rail services have been added progressively to the national network on 20 routes in 14 states.

The U.S. situation contrasts sharply with Canada, where the provinces have left intercity rail passenger service largely to the federal government. The exceptions are the provincially-funded commuter rail operations in the Toronto, Montreal and Vancouver areas, as well as the passenger and freight services of the Ontario Northland Transportation Commission, which are operated in support of northern development. In general, the provinces are opposed to getting involved in rail matters financially, seeing it as a federal responsibility. Their stance has always been that they have helped support urban transit when the federal government traditionally has not.

Despite the differences in political philosophy and funding, there are many aspects of the regional- and state-supported passenger services in the U.S. that provide useful precedents to be followed in the establishment of the SWR.

Maine's Downeaster

Of the U.S. main line passenger operations surveyed, the one that appears to bear the closest relationship to the proposed SWR passenger operation is Maine's Downeaster, linking Portland with Boston. It is funded jointly by the federal government through its national passenger operator, Amtrak, and the State of Maine. It is managed by the Northern New England Passenger Rail Authority (NNEPRA), a public transportation agency created in 1995 by the Maine State Legislature to develop and provide passenger rail service between Boston and Maine, as well as points within the state.

The NNEPRA's mission and vision are:

> *To develop and manage a quality passenger rail system that meets the transportation needs of our customers, delivers value, and enhances economic development within the region we serve.*
>
> *To provide our customers with a travel experience that consistently exceeds their expectations, delivers value, and contributes to a modern, integrated public transportation system.*

Maine's Portland-Boston Downeaster passing through Wells, Maine.

NNEPRA manages the budget, contracts, promotion and customer services associated with the Downeaster. On-board food and beverage service is contracted out to a local catering firm. NNEPRA holds a 20-year operating agreement with Amtrak and is party to agreements with the two host railways. The eastern segment of the line belongs to the privately-owned freight carrier, Pan Am Railways, and the western section is the property of the Massachusetts Bay Transportation Authority's commuter rail system.

There are many similarities in the population densities, operating conditions, travel patterns and the relationships with the major freight railway, the Boston commuter authority and the national passenger carrier, Amtrak, that make the Downeaster a model worth emulating. The SWR is going to have to similarly deal with the CPR, GO and VIA on a daily basis in its operations.

Should day-to-day passenger operation be conducted under a contract with VIA or even GO, then the experience of the NNEPRA in the establishment and operation of the Downeaster will be invaluable in structuring the operating agreement, service design and integration into those agencies' ticketing and reservations systems.

A 2008 study of the impacts of the Downeaster found:

• Ridership rose 32% in Fiscal Year 2006, 5% in FY 2007, and 20% already in FY 2008. On the connecting Rockland Branch service, ridership rose 26% from 2006 to 2007.

• In Old Orchard Beach, two hotels and a $20 million residential and retail complex have been constructed within two blocks of the train station.

• In Saco, developers have broken ground on a renovation of an old mill property by the station into a $110 million retail, office, and residential development.

• A 30-acre site next to the Portland station is for sale for $12 million, with mixed housing and commercial development as the intended use.

• In Brunswick, developers are seeking Planning Board approval for a $30 million hotel, retail, office, and residential complex that is projected to create 200 jobs and $500,000 in annual tax revenues.

Downeaster ridership continues strong even in today's economic downturn and a general drop in travel. In FY 2010, it set ridership and revenue records with increases of 3.9% and 3.3% respectively. Ridership is expected to increase by another 36,000 annually with the inauguration of the service's 30-mile extension to Brunswick, Maine, in 2012.

More information on the Downeaster may be found in **Attachment B** of this report.

Northern California's SMART Train

The Sonoma-Marin Area Rail Transit (SMART) project will provide passenger service on the badly-deteriorated former Northwestern Pacific Railroad (NWP) route from the Golden Gate ferry terminal on the north side of San Francisco Bay at Larkspur to Healdsburg, 70 miles to the north. This section of the NWP was purchased by the municipalities. The remaining portions of the NWP were purchased by the publicly-owned North Coast Railroad Authority (NCRA), primarily to maintain freight service, but also to ensure for intercity and specialized tourist rail passenger over portions or the entire route.

Like the SWR, the SMART Train is being managed by an authority composed of local government officials from the two counties it will serve, namely Sonoma and Marin.

Progress on both the passenger and freight projects has not come easily. The route is much more rugged than the CPR Havelock and Nephton Subdivisions and includes numerous bridges and tunnels. The line had been allowed to deteriorate badly by its former owner, the Southern Pacific Railroad. The passenger service restoration plan has encountered numerous delays and is not expected to begin until 2014.

Nonetheless, there is much useful information to be gleaned from staff involved in the SMART and NCRA projects. More information is contained in **Attachment C**.

Japanese-built Sumitomo diesel multiple unit cars to be purchased for the SMART Train and the Metrolinx Union-Pearson Air Rail Link.

Island Corridor Foundation

The Island Corridor Foundation (ICF) was formed in 2003 to take over all of the CPR's former Esquimalt & Nanaimo Railway (E&N) infrastructure and operation on Vancouver Island. In addition to the freight service between Victoria, Nanaimo, Courtenay and Port Alberni, the line is also served by VIA's *Malahat Dayliner*. This was the only passenger train targeted for abandonment as part of the 1990 VIA cutbacks to survive as a result of a legal challenge.

Prior to the formation of the ICF and its takeover of the E&N in 2006, the freight service had been declining and had resulted in the CPR de-marketing the line and organizing it as an internal short line, similar to the establishment of the Havelock and Nephton Subdivisions as the Kawartha Lakes Railway (KLR).

In early 1999, short line operator RailAmerica took over the freight operation, purchased the Nanaimo-Port Alberni portion of the line and leased the rest of the E&N. In the face of continued competition from truckers using the parallel, publicly-funded highway system, freight traffic continued to decline. The railway received a serious blow with the closure of a Port Alberni pulp mill, which had been the largest traffic generator.

VIA's Malahat Dayliner on the Island Corridor Foundation's former CPR Esquimalt & Nanaimo Railway at Qualicum Beach, B.C., on July 24, 2009. Photo by Alasdair McLellan.

Concerned with the possible loss of both the freight and passenger services – indeed, the likelihood of complete abandonment of the E&N – the ICF was formed as a not-for-profit partnership between 14 municipalities, five regional districts and 12 First Nations territories.

In 2006, the CPR donated its 139-mile portion of the E&N. This included 6.51 km² (1,608 acres) of land, six historic railway stations and all bridges. The donation was valued at $236 million. As well, the CPR provided $2.3 million in seed money.

Following that transaction, RailAmerica donated its portion of the E&N to the ICF. On July 1, 2006, the ICF contracted with the Southern Railway of British Columbia (SRBC) to operate the freight service. The passenger service remains as a partnership between the ICF and VIA, providing one trip daily from Victoria to Courtenay and return using Budd RDC equipment. Day-to-day operating support is provided by the SRBC.

In January 2010, a new freight train ferry was opened at Annancis Island on the mainland to improve the connection with the E&N and increase the capacity of the privately-operated Seaspan ferries that shuttle freight cars to and from the main transcontinental railways in the Vancouver area.

Despite a lack of support from the Government of British Columbia, the ICF has made great strides. The organization recently announced that a long-planned improvement in the VIA passenger service was in the offing. Under the plan, the *Malahat Dayliner* will be based in Nanaimo in order to make a southbound commuter run to Victoria at 6 a.m. The train will then depart northbound at 8:30 a.m. for Courtenay and return in the afternoon. A northbound commuter run to Nanaimo will depart Victoria at 6 p.m.

As well, the RDCs dedicated to the line are currently undergoing a major rebuilding program by VIA, which has contracted the $2 million per car project to Industrial Rail Services, Inc., of Moncton, N.B. Work to implement a Victoria-Duncan commuter service on the southern end of the E&N continues.

The ICF provides an excellent working model for the SWR. The legislative and legal background to the incorporation of the ICF has already been studied by Arlynn Dupuis. More information on the ICF and the E&N is included in this report as **Attachment D**.

Ontario's Municipally Owned Short Line Railways

As the main line or Class I railways have shed light-density trackage over the last 20 years, short line railways have been created to take over and operate these lines under new ownership and management. The key has been a lower cost base and more personalized service than a large freight railway can provide to smaller, local customers.

Three operations of interest to the SWR are municipally owned and operated under contract by professional short line railway companies. These are:

- Orangeville-Brampton Railway (OBRY);
- Barrie-Collingwood Railway (BCRY); and
- Guelph Junction Railway (GJR).

All three were formed by the municipalities because of the economic damage that would have been done to their employment and tax bases had the lines been abandoned.

There is a variance in the GJR's establishment that concerns its original ownership. The 15-mile line was built in the 1880s by the town as a connection to the CPR's Toronto-London main line at Guelph Junction, west of Campbellville. It was subsequently leased to the CPR, with the town holding two-thirds of the stock and receiving 40 per cent of gross revenues. The CPR later extended the line west to Goderich, but declining traffic led to the decision to abandon it in 1997. The City of Guelph took back its portion of the line and several spurs, contracting with a private operator to maintain the service.

In all three cases, the municipalities aimed to not just support existing industries, but to attract new ones dependent on rail transportation for inbound and/or outbound shipments. Additionally, two of these short lines have supported specialized tourist and dinner train operations that have been of benefit to many other businesses within their communities.

Of the three, the OBRY has been the most successful. It is now subject to a private purchase agreement with the Highland Companies, a diversified U.S. investment corporation that owns Downey Potato Farms, the largest grower, distributor and marketer of potatoes in Ontario. Highland wants to restore a portion of the Orangeville-Owen Sound line abandoned by the CPR in 1995. This would enable the OBRY to serve a proposed aggregate quarry in Dufferin County. The sale is pending.

These municipally owned Ontario rail authorities have all learned lessons that they are quite happy to pass along to the SWR as we move forward. More information on these operations may be found in **Attachments E, F** and **G**.

Ontario's Municipally Owned Short Line Contractors

All three of the above short lines are operated under contact by experienced private firms. Cando Contracting Ltd., of Brandon, Manitoba, is the contract operator of the OBRY and the BCRY. The GJR is operated under contract by the Ontario Southland Railway (OSR).

These firms have been consulted in the preliminary work on the establishment of the SWR and they have provided some information and guidance. Both would be interested in bidding on the contract operation of the line and have in the past discussed the short line opportunities for the Havelock and Nephton Subdivisions with the CPR. Cando and

OSR have excellent relationships with the CPR and work with them daily, interchanging freight traffic and developing long-haul traffic opportunities.

Cando and OSR – with substantial experience in the operation of municipally owned lines – should be seen as valuable resources. In both cases, the companies have indicated a willingness to examine the physical plant on our behalf without charge. Cando, as a rail maintenance and construction contractor, is particularly interested in the opportunities.

Background information on Cando and the OSR may be found in **Attachments H** and **I**.

7. Passenger Equipment Options

A major flaw of the Metrolinx study was its equipment choice. It proposed the use of two standard GO trainsets, each consisting of a 4,000 horsepower diesel-electric locomotive and 10 Bombardier bi-level cars with a seated capacity of more than 900 passengers. The capital cost was $31.4 million per trainset. Well-suited to some GO routes, this equipment is excessive and inflexible for the SWR passenger service.

Given that Metrolinx is now negotiating for lower-capacity, self-propelled diesel multiple unit cars from Japan for its Airport Rail Link (ARL) from Toronto Union Station to Pearson International Airport, the failure to thoroughly examine the performance, cost and applicability of this equipment to the SWR is baffling.

Part of the problem is that the equipment selection was linked to the Metrolinx vision of a weekday-only, Toronto-centric commuter service, which proposed three service levels:

1. Basic Service: two trains departing Peterborough in the morning and returning in the evening;

2. Enhanced Service: Basic Service plus two additional trains departing Locust Hill in the morning and returning in the evening; and

3. All-Day Service to Locust Hill: Basic Service plus half-hourly service all day long in both directions between Locust Hill and Toronto.

This operating scenario misses the much fuller market for Peterborough-Toronto passenger service by a wide margin and the equipment choice only underscores this.

While the actual service plan and schedule are matters to be investigated and confirmed further into the current implementation process, it is obvious that the route itself is not a pure commuter market. Commuter service in and out of Toronto on weekdays is but one portion of the total market. As was demonstrated in the past, the Peterborough-Toronto service is a "multi-tasker." The SWR passenger service will provide a combination of:

- a weekday morning-in/afternoon-out commuter service, particularly for residents living along the line closest to Toronto;
- a stand-alone, regional intercity train catering to the non-commuter needs of residents all along the line;
- a feeder to the VIA national and GO regional networks;
- a tourism generator, drawing in visitors from Toronto and other points throughout the VIA and GO networks; and
- a link for air travellers when GO's Union-Pearson ARL opens in 2015.

Such a wealth of traffic demands equipment more flexible and cost-effective than the high-capacity, commuter-only rolling stock proposed by Metrolinx.

Furthermore, there is no need for the high-cost option of brand new locomotives and rolling stock, as is GO's practice. This would be needlessly expensive and time consuming. It will be wiser to obtain structurally sound rolling stock from the North American used car market and refurbish it to provide many years of reliable and cost-effective service on the SWR.

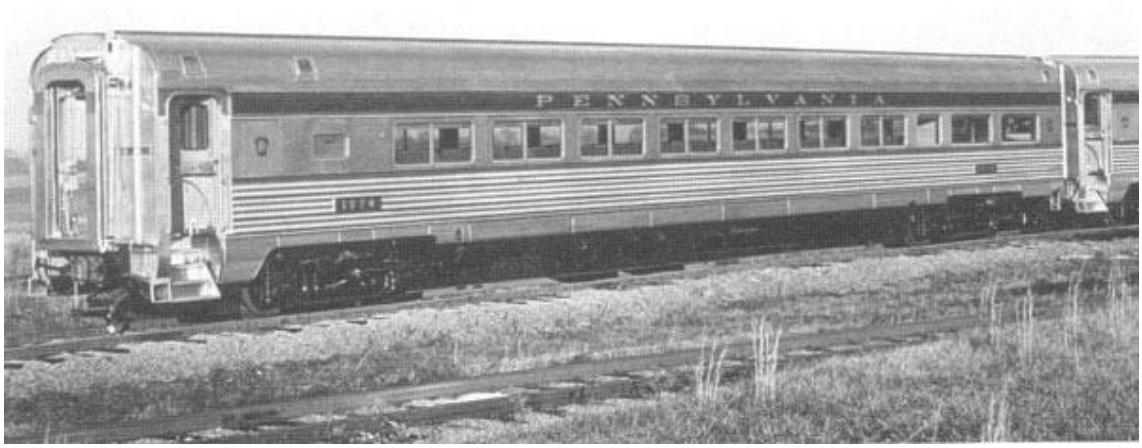
Three types of used rolling stock were considered for the SWR:

- self-propelled rail diesel cars;
- single-level, locomotive-hauled coaches; and
- double-deck, locomotive-hauled coaches.

In each case, equipment manufactured by the Budd Company of Red Lion, Pennsylvania, was preferred. The firm was the pioneer in the design and construction of passenger rolling stock fabricated from stainless steel. These cars – some rebuilt several times over – are in daily service throughout North America.

VIA's world-renowned transcontinental train, *The Canadian*, is composed entirely of Budd equipment built in the 1950s for the CPR. These cars and some even older U.S. coaches were rebuilt and modernized by VIA in the early 1990s. They have proven to be safe, strong, low-maintenance and popular with travellers. (See **Attachment J**)

As VIA, Amtrak and other operators have proved, fully-refurbished Budd equipment can deliver decades of daily, frontline service at a cost below that achievable with some types of new equipment. There is a wide range of Budd equipment available for purchase from various brokers and/or rail operators around North America for refurbishment in Canada. This is currently a buyer's market, too.



Budd locomotive-hauled, single-level coaches built in 1952 for service on the Pennsylvania Railroad's Northeast Corridor. Photo by Lawrence S. Williams Studio for the Budd Company.

Budd Self-Propelled Rail Diesel Cars

Very early in the evaluation of the three types of refurbished or fully-remanufactured Budd equipment, it became obvious that the rolling stock best suited to the SWR's multiple needs was the RDC. It was no coincidence that this equipment was chosen by the CPR and VIA to provide their Havelock-Peterborough-Toronto services throughout the period from 1954 through to the second abandonment of the service on January 14, 1990.

The self-propelled, diesel-powered RDC was built by the Budd Company and its licensees between 1949 and 1962 to fulfill several roles ranging from dense commuter service to light-density rural branch line runs. The RDC was purchased by numerous railways in Canada and the U.S., and also found a home in Australia, Brazil, Cuba and Saudi Arabia. Budd referred to its RDC as "a whole train in one car."

CPR RDC-1 Dayliner 9052 operating as train #603 at Peterborough on October 8, 1954. Photo by Ray Corley from the James A. Brown Collection

The RDC dramatically lowered railway operating costs compared to locomotive-hauled trains in a wide range of applications. Among the reasons for this cost reduction was the fact that RDCs could be operated under a reduced-crew agreement with the railway operating unions. This agreement still applies and should be a major factor in the selection of the SWR's equipment.

Budd RDCs currently in service on VIA's Sudbury-White River route.

Most of the 398 Budd RDCs built are still in existence and some are still in daily revenue service. VIA owns a fleet of six active cars. The Moncton remanufacturing firm, Industrial Rail Services, Inc. (IRSI), is currently rebuilding VIA's RDCs for continued operation on its Sudbury-White River and Victoria-Courtenay services. A project that would rebuild additional RDCs for use on VIA's Toronto-Kitchener-London line is on hold due to unrelated difficulties in negotiating an agreement with one of the freight railways over which this improved service would operate.

As well, IRSI has 27 former VIA RDCs available for remanufacturing. The company has rebuilt one of these self-propelled stainless steel cars as a demonstrator. The per-car cost for these custom-rebuilt RDCs would be approximately $3 million.

A variation on the use of all powered RDCs for the SWR service has been presented by IRSI, based on a concept develop by VIA. This would use two powered RDCs hauling a non-powered Budd stainless steel car in a fixed three-car power car/non-powered trailer/ power car configuration. The cost per three-car set would be $9 million plus spare engines, transmissions and other parts inventory.

As well, the remanufactured RDCs will meet the latest Tier 4 emission levels, while rebuilt diesel locomotives that would be used to haul non-powered coaches will probably not get better than Tier 0 and will suffer a fuel penalty to even meet that standard

The use of RDC equipment under one of the two configurations discussed above is the preferred option. It is recommended that members of the SWR steering committee visit IRSI in Moncton to inspect the VIA RDCs now undergoing rebuilding, as well as the company's prototype demonstrator car. Bringing the demonstrator RDC to Peterborough for examination and exhibition is now being explored.

Details of VIA's current RDC rebuilding program and the IRSI remanufacturing project may be found in **Attachments K** and **L.**

Artist's rendering of the remanufactured and modified Budd RDCs proposed by Industrial Rail Services for the Montreal Central Station-Trudeau International Airport express service.

8. The Passenger Route Options

The traditional or **Legacy Route** for Peterborough-Toronto passenger trains was west along the Havelock Subdivision to its junction with the Belleville Subdivision, near Toronto's Kennedy Road, and then west to Leaside. Here, the trains diverged from the main freight route across midtown Toronto and ran down the Don Branch to Toronto Union Station. This remains the preferred route.

The Metrolinx study identified the **Legacy Route** as a sticking point with the CPR. This was said to be due to operational considerations at Toronto Yard, at the extreme west end of the Havelock Subdivision. Built in 1964, the yard is sited at the confluence of the Havelock and Belleville Subdivisions. The two lines meet at its west end. The Havelock Subdivision skirts the northern side of the yard and the Belleville Subdivision forms its southern boundary.

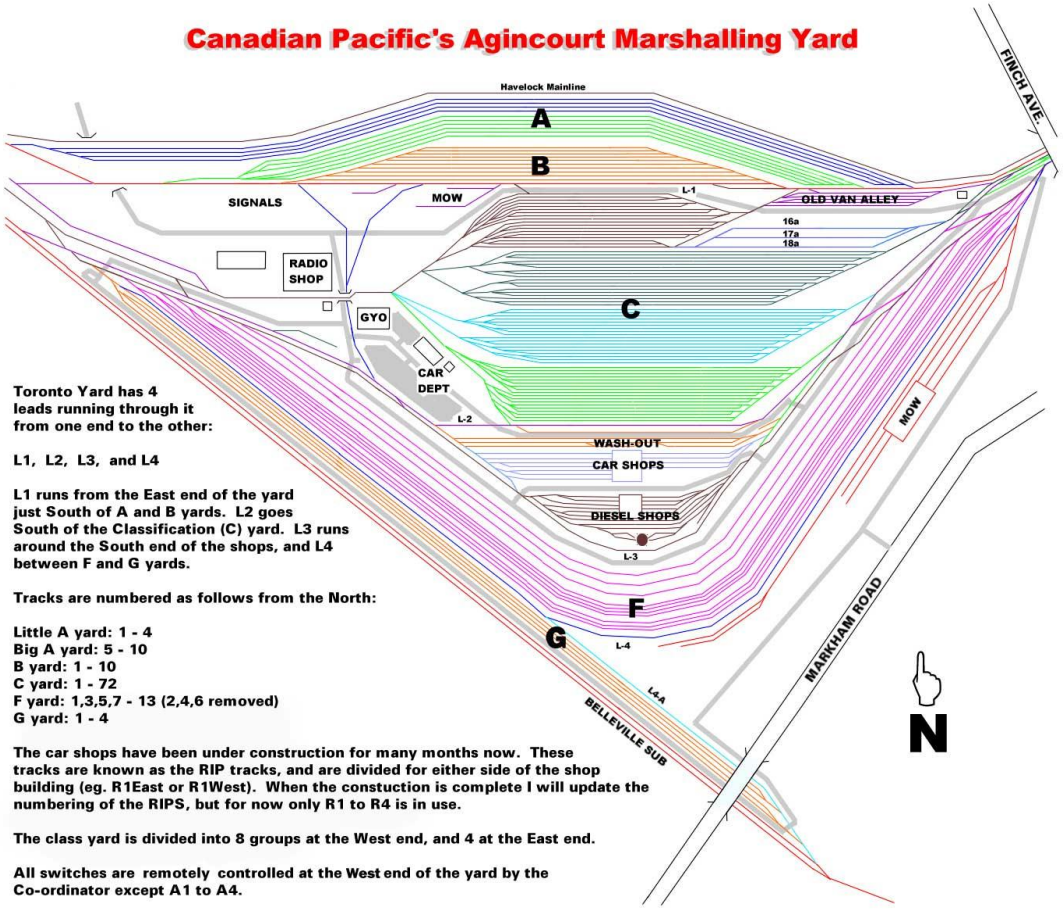
When the yard opened, numerous passenger trains were operated on both the Havelock and Belleville Subdivisions. These trains all passed through the junction at the west end of the yard – known as the Kennedy Interlocking – and shared track time with the many freight trains arriving or departing from the west.

An important component of the yard operation is the Staines Cross Connection, which seems to have gone unnoticed by the Metrolinx study team. This line joins the two main line subdivisions to the east of the yard. It allows trains to and from the Belleville Subdivision to arrive and depart the tracks collectively known as F Yard, which parallels the Havelock Subdivision at the yard's northeast end.

Admittedly, much has changed since Toronto Yard opened in 1964. Passenger trains have disappeared from both main lines serving the yard. Freight trains have grown, often exceeding the length of the yard's receiving and departure tracks and "fouling" the main line and lead tracks while being "yarded."

As well, two industrial compounds have been built on the yard's north side, which are accessed from the Havelock Subdivision. At the west end, there is the Stratoflow trans-load facility, where commodities such as plastic granules and resins are transferred from covered hopper cars to trucks for delivery to GTA manufacturing plants.

At the northeast end of the yard, there is the CPR's principal southern Ontario automotive compound. Here, multi-level auto-rack cars carrying time-sensitive automobiles are unloaded for delivery by truck to car dealerships throughout southern Ontario. The "cuts" of loaded and empty multi-level rail cars are moved in and out of the compound frequently via the Havelock Subdivision throughout a normal work day.



A Yard: West Receiving & Departure (trains to and from western Canada, Niagara, Chicago and southwestern Ontario)
B Yard: Local Receiving and Departure (trains serving local industries along all GTA lines)
C Yard: Classification Yard ("The Bowl")
F Yard: West Receiving & East Departure (trains from the same points as A Yard plus departing trains for the Belleville Subdivision via the Staines Cross-Connection)
G Yard: East Receiving (trains arriving from the east via the Belleville Sub)

Because of the need to have uninterrupted access to these important industrial facilities, the CPR has expressed its concerns about the impact of the SWR passenger service. There is also the potential for conflict at the Kennedy Interlocking at the west end of the yard, where the Havelock Subdivision joins the Belleville Subdivision.

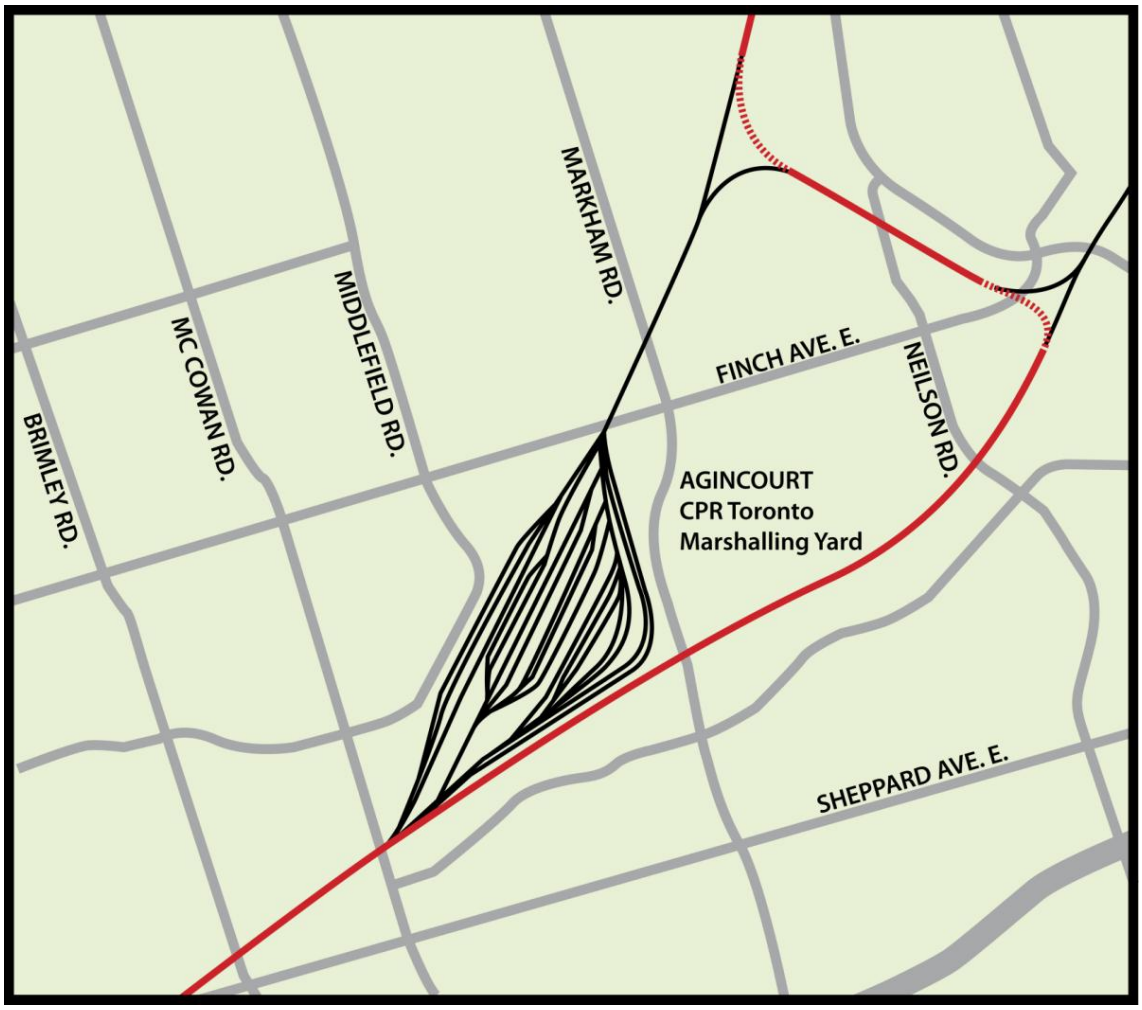
There are also some concerns about track capacity on the Belleville Subdivision. The SWR passenger trains will need to cross from the north track to the south track to diverge at Leaside down the Don Branch to reach Union Station. GO bought the Don Branch from the CPR in 2009, although the agency says it has no use planned for the line. It is currently out of use and requires rehabilitation.

The Metrolinx study raised the possibility of operating the SWR passenger trains to and from a new facility at the former CPR North Toronto Station at Yonge Street instead of Toronto Union Station. However, there are currently no station facilities at that site. The

elegant former CPR North Toronto Station is now the flagship store of the Liquor Control Board of Ontario and is not available for railway purposes. As well, the Metrolinx study found the use of this location would require $86 million in capital expenditures and reduce ridership by 40 per cent.

All of the Metrolinx route options would not only be unduly expensive, they would seriously delay the implementation of SWR passenger service. The third of the Metrolinx options involved the construction of new greenfield route to connect the Havelock Subdivision with GO's Uxbridge Subdivision, which is used by the agency's Stouffville trains. This proposal is fraught with problems. Purchasing the right-of-way and going through the environmental assessment (EA) process could take several years, especially given the proposed line's location in a protected greenbelt zone.

With these problems in mind, Dean Del Mastro and the author of this report examined other options that would allow for a SWR passenger service launch within a reasonable time and with minimal construction. Three additional routing options were identified and a preferred alternate option known as the **Staines Route** has been selected.



The **Staines Route** would make use of the existing Staines Cross Connection just beyond the far eastern end of the yard. This would require the construction of a connecting track from the Havelock Subdivision to access the Staines line, curving from southwest to southeast, and a new connection to the Belleville Subdivision, curving from southeast to west near the street intersection of Finch and Morningside.

The two preferred options – the **Legacy Route** and the **Staines Route** – need to be assessed in detail by CPR engineering and operations staff to determine the operational and infrastructure requirements. The resolution of the operational problems that could prevent the use of the **Legacy Route** should be pursued. This remains the best option, especially if the SWR passenger trains are to have the shortest running times possible.

Still to be explored are ways to resolve this matter through advanced train traffic control systems, precision scheduling and a minimum of physical alteration to the track plant at Toronto Yard. With only four passenger trains passing through the areas in question on a fixed schedule, it is difficult to believe it is not possible to find a solution that will not impede the CPR's freight operation.

9. Transit-Oriented Development Factors

One of the major benefits of the proposed SWR passenger service will be its use as a transit-oriented development (TOD) tool. This aspect of the service received some coverage in the Metrolinx study, but not to the degree it deserves.

TOD is a very simple planning and development concept and it is really nothing new. It has occurred spontaneously and without planning or zoning intervention as long as railway and transit lines have been constructed. Where a railway placed a station or a transit system located a streetcar stop, development occurred, attracted by the passenger flow these facilities and services created. The same thing occurred industrially along rail lines, with manufacturers and shippers being attracted to lineside locations to take advantage of rail freight services.

Today, TOD is recognized as a means of controlling and encouraging sustainable development and economic activity linked to public transportation, not the automobile and the urban sprawl it fosters.

Chicago's Center for Neighborhood Technology – which produced the State of Maine's Downeaster economic impact study – provides a rationale for adopting such practices:

- *Housing plus transportation costs give a more complete assessment of affordability than housing costs alone.*
- *Transportation costs are driven more by neighborhood characteristics than by the number of people in a household or their income.*
- *Places with access to services, walkable destinations, extensive and frequent transit, access to jobs, and density have lower household transportation costs.*
- *Creating neighborhoods with housing and transportation affordability requires multiple and targeted strategies and coordination within and across government agencies and the private sector.*
- *Underutilized transit station areas present an opportunity to create additional affordable and diverse neighborhoods.*

These practices are linked closely with the numerous commuter and intericty passenger development plans now being undertaken throughout the U.S. as a result of the current federal government's increased investment in rail.

Typical is a project of the San Joaquin Regional Rail Commission's (SJRRC) Altamont Commuter Express (ACE), which links the San Francisco Bay Area cities of San Jose and Stockton. As part of the revitalization of its historic station in downtown Stockton, SJRRC and all the relevant planning and development agencies sought to completely transform the area served by the commuter railway's station.

"The Robert Cabral Station Neighborhood Revitalization project is now complete. With a combination of circulation improvements, street improvements, residential infill projects, and selective redevelopment projects, it is envisioned that the Cabral Station Neighborhood may become a dense, viable, mixed-income neighborhood that can provide a number of civic, retail, and open space amenities for its residents, in close proximity to the Central Business District and connected to the greater Bar Area by the ACE commuter train service.

"Phase I features a clock tower and a new entryway to Stockton's Robert J. Cabral ACE Station. The site plan includes additional parking spaces for ACE staff and passengers, and improvements for the circulation of buses, taxis, and cars throughout the station vicinity. An additional positive aspect of the design is improved street conditions along Channel Street which will include better sidewalks for local residents and added shade trees in the area.

"SJRRC has undertaken several Master Plan efforts which have identified potential Transit-Oriented Development (TOD) opportunities in the surrounding neighborhoods. To further these efforts SJRRC has obtained the services of a qualified, experienced firm to provide planning, design, and architectural services to evaluate the feasibility and design options for a mixed-use parking structure adjacent to the Stockton ACE station."

Opportunities such as these exist on the SWR, particularly at its eastern and western ends. The Metrolinx study mentioned some of these, but didn't explore them fully. However, it did indicate that TOD is, indeed, one of the cornerstones of several recent Provincial initiatives. These include the Growth Plan for the Greater Golden Horseshoe (GGH), developed under the *Places to Grow Act, 2005*, which is defined as:

> *"... a framework for implementing the Government of Ontario's vision to better manage growth in the region. The Growth Plan provides a framework for development of a number of policies in the areas of managing growth, general intensification, growth centres, major transit station areas and intensification corridors, employment lands, designated greenfield areas, settlement area boundary expansions, and rural areas."*

Metrolinx itself is part of this initiative. The agency was created to plan, implement and foster TOD throughout the GGH. Its keystone study, *The Big Move*, is based on TOD principles, as the Metrolinx Peterborough study clearly outlined:

> *Among the nine priority actions presented in The Big Move, two key actions with relevance to this study are: 1) to develop a regional rapid transit network that operates seamlessly across the GTHA and, 2) to create a system of connected mobility hubs at key intersections in the regional rapid transit network. These mobility hubs will provide travelers with access to the system, support high density development, and demonstrate excellence in customer service.*

> *The Big Move identified regional rail service on the CP Crosstown corridor and the CP Havelock Subdivision to Locust Hill as priority projects in the 15-year plan. In addition, the remainder of the Peterborough Rail Corridor has been highlighted as a possible future extension of the regional rail system.*

The Metrolinx study also presented some of the sustainable growth prospects for the communities along the Havelock Subdivision:

> *Population and employment forecasts presented in the plan illustrate that Peterborough City and County can expect population growth of 15% and employment growth of 13% from 2001 to 2031 while Durham Region to the south of a large part of the rail corridor can expect population growth of 81% and employment growth of 84%.*
>
> *Durham Region is the third fastest growing region in the Greater Toronto Area (GTA) over that span, after Halton and York Regions. The Peterborough Rail Corridor connects the two Urban Growth Centres of Downtown Toronto and Downtown Peterborough, as well as the proposed new airport in North Pickering.*

Among the existing plans that will have a direct bearing on the SWR passenger service are the City of Peterborough Central Area Master Plan, Central Pickering Development Plan and others in and around Toronto. Also to be considered is the development of the federally-owned Pickering Airport Lands.

The opportunities for the SWR's passenger service and the communities it will serve are large. Furthermore, some of the existing municipal and regional TOD plans involve high-ticket transit projects the Province will be involved in planning and funding. At least two of these could be affected by a frequent commuter service on the GTA segment of the SWR's preferred routing. These are the proposed TTC Don Mills light rail line and the long-debated Downtown Relief Line subway. Which of these high-order transit lines will ultimately serve the southern end of the Don Mills corridor, Thorncliffe Park and Leaside remains to be decided.

Frequent SWR regional rail and GO commuter service along the CPR Belleville Subdivision and the Don Branch to Union Station could provide a lower-cost option to serve these areas. As the Metrolinx Peterborough study itself acknowledged, the agency's own *Big Move* master plan identified frequent commuter rail service along this route as one if its visions for the future.

The SWR passenger service will:

- Provide a new transit spine in the East GGH making use of an underutilized existing rail right-of-way.
- Serve the longer-distance regional and inter-regional market between major activity centres within and adjacent to the corridor.

- Integrate with the road network by providing stations that offer park-and-ride and kiss-and-ride facilities for intermodal transfers.
- Support land use policies and plans for the corridor, including development of the Downtown Peterborough Urban Growth Centre, as identified in the Growth Plan.
- Influence travel patterns in a more sustainable direction in the corridor through improved access to high-order transit services.

Linking the SWR passenger service to the TOD plans of the communities it will serve is vital. While a few voices have been raised in opposition to the SWR plan because of the development it may encourage, development is unstoppable. The wise course is to use the SWR to sculpt this development sustainably, linked to high-quality public transport.

The alternative is less attractive. To not embrace the SWR and its TOD attributes is to reject economic "smart" growth. This is well recognized in other jurisdictions. Typical of these is Orlando, Florida, where the $1.2 billion SunRail commuter rail system is now under construction. On November 28, 2010, the *Orlando Sentinel* reported:

> *The future of Florida Hospital just north of downtown Orlando could include 10,000 new jobs and a rash of development of include shops, apartments, restaurants, maybe even a hotel. One of the keys to making that a reality is SunRail, a commuter train scheduled to be running through Central Florida by late 2013.*
>
> *Without the train, the grand plan dims considerably: Subtract 1,500 jobs and 15 percent of the new construction, for starters.*
>
> *"It all boils down to 'Can you get your customers to your business?' " said Jody Barry, Florida Hospital's director of facilities development.*
>
> *Barry and his team calculate that SunRail could daily carry as many as 10,000 people to and from its campus in Orlando's College Park neighborhood if all the plans are realized during the next decade or so.*
>
> *But if SunRail is not built, Barry said, the hospital's only other alternative would be to pay heavy impact fees that would widen several roads, most prominently Interstate 4, which routinely backs up each weekday morning at the Princeton Street interchange as hospital workers drive in.*
>
> *Florida Hospital cannot afford the roadwork, especially for I-4, said Barry. He also argues that the likelihood of rising gasoline prices and environmental concerns make cars a bad bet for moving people around in the years ahead.*
>
> *One of the major draws of the train, Barry said, is that it allows Florida Hospital to build fewer garages, which he estimates cost $12,000 a parking space. As it stands, the development plans call for the construction of two more garages, even with SunRail. There already are three on the campus.*

The issue is even more dramatically illustrated by the situation in Wisconsin today, where the incoming governor has killed the planned Milwaukee-Madison high-speed rail passenger project. The negative economic fallout from this misguided decision is covered in **Attachment M**.

Furthermore, there is the issue of industrial and commercial development related to rail freight service to be considered. This is a subject that has received considerably less study than TOD. The CPR is now investigating the potential for this and reaching out to planners and politicians in the major centres it serves, encouraging them to view their rail facilities as industrial development anchors to which the planning process may be linked.

The SWR's freight service could play a similar role, sustaining existing industries, but also fostering and guiding the development of new ones. Some preliminary conversations have been had with business owners who want to explore rail-based industrial development opportunities along the SWR. These conversations need to be escalated.

It is important to note that the capital investment in the SWR for passenger service will also benefit current and future freight shippers. In its existing condition, the Havelock Subdivision is not physically and operationally equipped to attract new, time-sensitive freight traffic. Investment in the SWR to rehabilitate it to FRA Class 4 standards and allow for a maximum permissible track speed of 80 mph for the passenger trains will have numerous benefits for freight shippers.

As we move forward, much contact with and input from municipal planners, politicians and business operators along the SWR will be required.

10. Next Steps

- Finalize the incorporation of the SWR
- File for charitable status
- Complete economic impact study
- Complete five-year financial plan
- Hire engineering firm and receive detailed work plan and refined estimates
- Memorandum of Understanding from the CPR
- Fair market value report from the CPR
- Transport Canada agreement covering transfer of CPR assets to SWR
- Negotiate freight revenue sharing agreement with the CPR
- Tender capital projects
- Commence infrastructure reconstruction in April 2012
- Completion of full project and re-launch of passenger service on July 1, 2014

11. Contact Information

To apply for membership on the Shining Waters Railway Board of Directors or to submit letters of support, please use the following mailing addresses:

Office of MP Dean Del Mastro
1875 Lansdowne St W
Box 21030
Peterborough, Ontario K9J 8M7

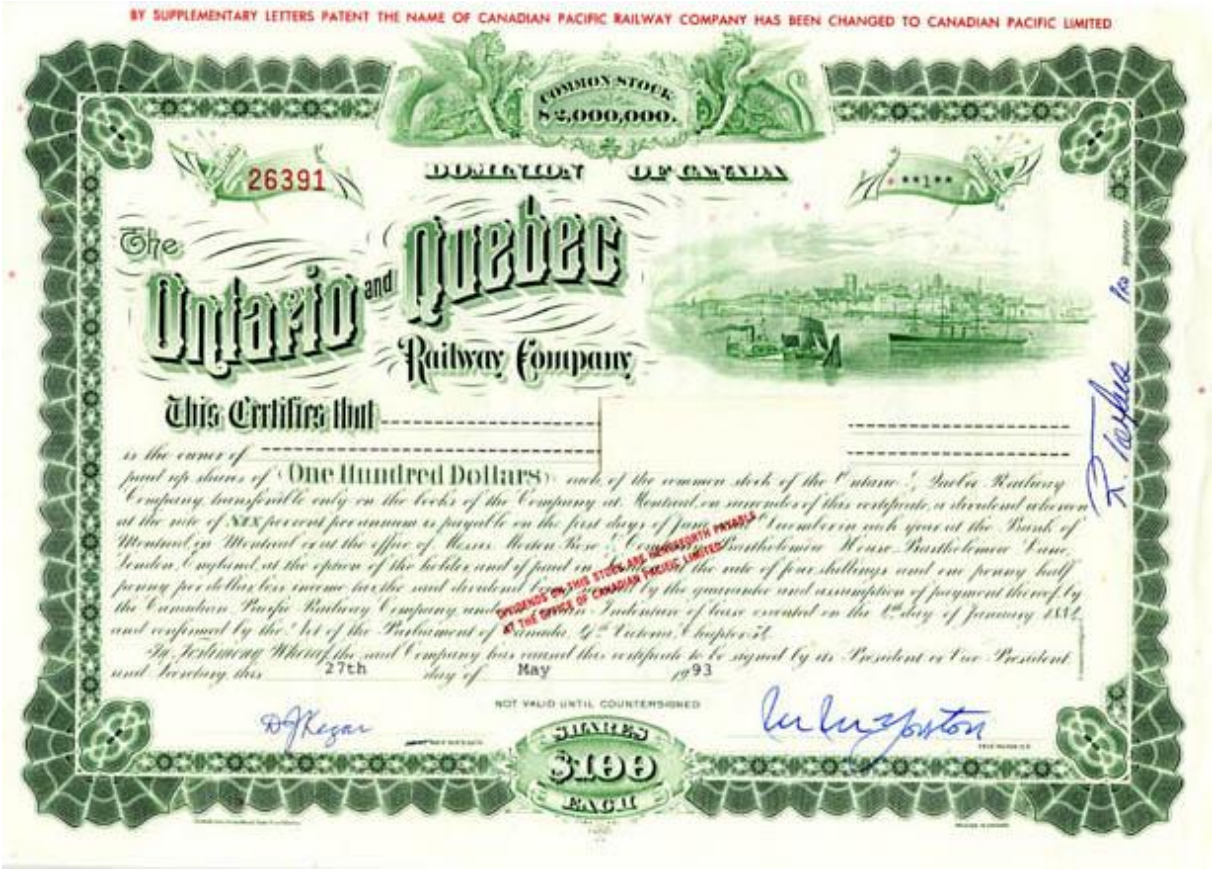
Greater Peterborough Chamber of Commerce
175 George St N
Peterborough, Ontario K9J 3G6

ATTACHMENT A

A Short History of the CPR'S Ontario & Quebec Railway

The Canadian Pacific Railway (CPR) was incorporated on February 16, 1881, to build a main line to connect British Columbia with the rest of Canada. The charter called for a line to be built westward from a point near Ontario's Lake Nipissing, where a connection would be made with the Canada Central Railway (CCR) from Ottawa and Perth.

To reach established towns in the rest of Ontario and to the east coast, existing railways would be acquired or new ones chartered in the interest of Canadian Pacific. One of these was the Ontario and Quebec Railway (O&Q), first incorporated April 14, 1871. It was a railway that was to spend most of its existence as a "paper" railway as a result of its perpetual lease to the CPR. It resurfaced in the 1970s when minority shareholders took the CPR to court for disposing of O&Q lands without payment to them.



The O&Q (reincorporated in May, 1881) built its main line from Perth through Tweed, Havelock, Peterborough, Agincourt, Leaside and North Toronto to Toronto Junction (West Toronto). It consisted of 199 miles of track with 60-lb. rail on gravel ballast and a maximum grade of 1.1%. Twice daily passenger service began Saturday, June 28, 1884, between Toronto Union Station and Peterborough.

While the last spike was driven May 5, 1884, a troublesome sinkhole near Kaladar prevented the start of through passenger service until August 11. The line down the Don was not built until 1893 to provide a direct line down to Union Station. Prior to this time, trains operated via North Toronto, Toronto Junction (West Toronto) and Parkdale.

Perth was the location of the Brockville & Ottawa Railway (B&O) yard and shops, and a connection with its 12-mile branch from Smiths Falls, which February 17, 1859. This branch was bought by the CPR and used as a link in the building of the line from Montreal to Toronto. It had been built to the Provincial broad gauge of 5' 6" and had to be re-gauged to standard gauge (4'8½").

The B&O was built from Brockville through Smiths Falls to Almonte and Sand Point, where it connected with the CCR. In 1878, it was amalgamated with the CCR, which was acquired by the CPR in 1881.

About 122 miles of new line was built by the O&Q eastward from Smiths Falls to Mile End in Montreal, where it would connect with the CPR's Atlantic & Northwest Railway to reach downtown Montreal, for a grand total of 339 miles. It opened in August, 1887. All of the mentioned railways had already become part of the CPR.

By this time much, was happening with the CPR's plan to build an Ontario network. The Credit Valley Railway was taken over by the O&Q on November 30, 1883, following which the O&Q was taken over by the CPR in January, 1884, through a perpetual lease. A lease in perpetuity was something not recognized in common law. It took legislation to allow a lease "forever".

At the same time CPR was empowered to lease any further extensions of the O&Q. Such extensions soon took place when the West Ontario Pacific (WOP) was incorporated in 1885 and opened an extension of the O&Q line from Woodstock to London August 12, 1887 after having been leased on July 21, 1887 to the O&Q in perpetuity.

Subsequently, CPR acquired 100% of WOP's stock. Next came the Detroit Extension from London to the Detroit River, completed November 24, 1888. It, too, was leased in perpetuity to the CPR.

An Order-in-Council of January 25, 1887, permitted construction of the Don Branch in Toronto as an extension of the O&Q.

The narrow gauge Toronto, Grey & Bruce Railway (TG&B) was leased for 999 years by the O&Q on August 1, 1883, after having been converted from narrow to standard gauge in December, 1881. This meant the CPR was faced with the need to handle the traffic of this line, as well. The TG&B ran from the Queen's Wharf in Toronto through Parkdale and Carleton, to Weston, Woodbridge, Bolton, Caledon, and Orangeville (1871) and beyond to Teeswater (1874) and Owen Sound (1873). It was all this expansion that caused the CPR to relocate its main facilities from Parkdale to West Toronto.

Traffic grew quickly and the need for more track capacity was soon evident. An 1898 proposal called for the double tracking of the entire Montreal-Windsor mainline. Surveys between Bathurst, just west of Glen Tay, and Tweed to straighten the line and reduce grades from 1.1% to 0.8% at 17 locations would cover half of the total 62 miles.

Instead, a separate main line was built along the Lake Ontario shoreline on a much easier grade and alignment that would allow trains to run faster and haul a lot more tonnage.

Eventually, 60.9 miles of what was then the CPR Havelock Subdivision was abandoned in July, 1971, between Glen Tay and Tweed, forever breaking the original O&Q main line.

Effective December 21, 1987, a further 28.3 miles was abandoned between Tweed and a point three miles east of Havelock.

CPR Nephton Subdivision

In 1901, an Ontario incorporation was granted for the Norwood & Apsley Railway, which included powers to construct elevators and wharves, operate vessels on Stoney Lake and other lakes, and the right to lease or sell to the CPR. It would have connected with the old O&Q mainline at Norwood, six miles west of Havelock, and built 25 miles north to Apsley. In 1901, a CPR survey was conducted, but nothing was built until half-a-century later.

The 20-mile Nephton Subdivision from Havelock to Blue Mountain was the last branch built on the Ontario District. It was built between May and December 1954 to serve the American Nepheline Ltd. open pit mine (2,200 acres) and crusher located at Nephton (Mile 16.3) and later extended to another mine at Blue Mountain (Mile 20.0).

The mine was originally opened in 1935 and is the source of one the purest deposits of nepheline syenite in North America, which is used in the manufacture of glass, ceramics and paint. Output had grown more than 30 times since it opened. Originally, the syenite was barged, until about 1949 when it was hauled by truck 24 miles to the CNR at Lakefield.

Construction was carried out quickly through some rugged limestone cuts, swamp and across the 38' deep Long Lake, where heavy blasting and filling put down a rock fill. The scenery wasn't to be enjoyed by many people since there was never any regular passenger service. There was only one short passing track at South Lake (Mile 8.8) and a wye at Nephton. It opened December 20, 1954, at a cost of $1,500,000 for the 16.5 miles to Nephton.

At some time in the 1970s or ‘80s, the CPR considered closing this branch along with the entire line to Agincourt on account of low traffic volumes. Much of the tonnage from the mines moved west to Toronto then returned east to Montreal, since the line east from Havelock had been abandoned. It was proposed to truck it from the mines to Trenton and

load it there. This plan was dropped, possibly because the mine owner, International Mineral and Chemical, didn't like the idea and they were a major customer on western lines. Otherwise, it might well have happened since the line remains marginal.

http://www.trainweb.org/oldtimetrains/OandQ/history.htm
http://www.trainweb.org/oldtimetrains/CPR_Trenton/History_1.htm
http://www.trainweb.org/oldtimetrains/CPR_Trenton/History_Nephton.htm

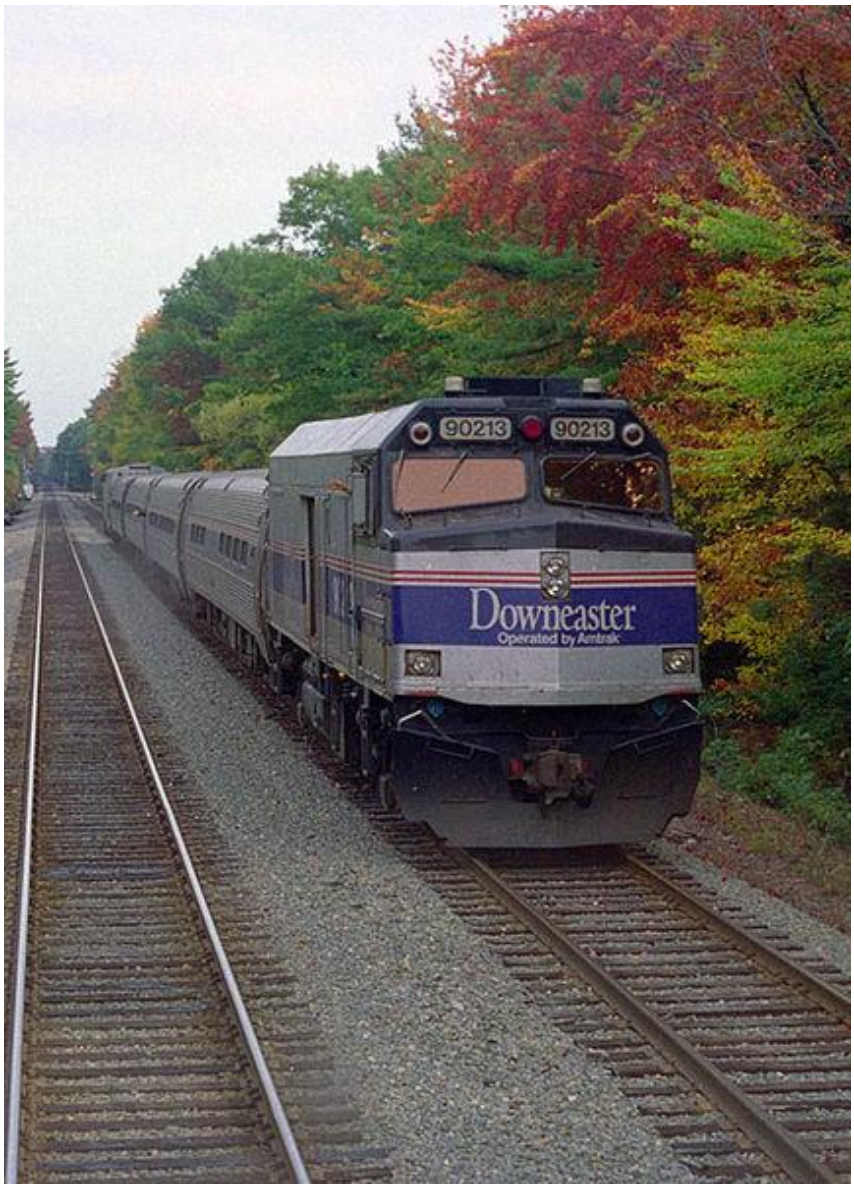
ATTACHMENT B

Maine's Downeaster

The Downeaster serves a 116-mile route from Boston's North Station to Portland, Maine. Service on the line was abandoned in 1966, five years before Amtrak's creation, and was re-launched in 2001 thanks to the State of Maine.

The service is managed by the Northern New England Passenger Rail Authority (NNEPRA), a public agency created in 1995 by the Maine State Legislature to develop and provide passenger rail service between Boston and Maine, as well as points within the state.

NNEPRA manages the budget, contracts, promotion and customer services associated with the trains. On-board food and beverage service is contracted out to a local catering firm.



NNEPRA holds a 20-year operating agreement with Amtrak and is party to agreements with the two host railways. The eastern line segment belongs to a freight carrier, Pan Am Railways, and the western section is the property of the Massachusetts Bay Transportation Authority, which operates commuter service on portions of these publicly-owned lines.

There are five roundtrips daily and connecting bus service extends north from Portland to the Bangor area.

An all-time ridership record of 474,058 passengers was set in FY2009. Revenue also hit a high of $6.7 million in the same period.

In January 2010, a plan to extend the Downeaster 30 miles north to Brunswick, Maine, received $35 million in federal funds as part of President Obama's higher-speed rail passenger program. Station construction and infrastructure improvement has begun and is expected to create 200 local jobs. The extended Downeaster will begin in 2012.

http://www.amtrakdowneaster.com/sites/default/files/DE-ExpansionHandout.pdf
http://www.amtrakdowneaster.com/sites/default/files/DE-BrusnwickPoster.pdf

One aspect of the Downeaster experience that should be emphasized is its analysis of the economic benefits it has produced. The economic impact analysis undertaken for the NNERPA by the Chicago-based Center for Neighborhood Technology contains much information relevant to the SWR. It may be found online at:

http://www.amtrakdowneaster.com/sites/default/files/AmtrakDowneasterOverviewofProjectedEconomicImpacts2.pdf

This study determined that the Brunswick extension and the existing Boston-Portland operation will encourage billions in long-term economic development throughout the Downeaster's service corridor and $55 million annually in state tax revenue.

ATTACHMENT C

Sonoma-Marin Area Rail Transit

Imagine a North Bay with a transportation network of buses, shuttles, ferries, trolleys, bike paths and sidewalks all connected with a centralized rail line that makes it possible to easily travel around Marin and Sonoma counties without ever getting behind the wheel of a car.

It's hard to envision such a network in 2009, when driving on Highway 101 is virtually the sole alternative for travel between the two counties. But the public already owns an asset capable of changing that reality.

The Sonoma-Marin Area Rail Transit District – SMART – will build a 70-mile passenger railroad and parallel bicycle-pedestrian path along the publicly owned Northwestern Pacific Railroad right of way through the two counties. The rail line runs from Cloverdale, at the north end of Sonoma County, to Larkspur, where the Golden Gate Ferry connects Marin County with San Francisco. Along the way SMART will have stations at the major population and job centers of the North Bay: San Rafael, Novato, Petaluma, Cotati, Rohnert Park, Santa Rosa, Windsor and Healdsburg.

The SMART train and pathway project will provide the backbone of a transportation system that ties existing transit systems such as buses and ferries along with future options such as shuttles and trolleys into a seamless network to create true transportation options for North Bay residents. Without that backbone, a congested Highway 101 will remain the only viable alternative for north-south travel in the two counties.

The SMART project is estimated to cost about $590 million, the bulk of which will come from Measure Q, a one-quarter percent sales tax increase approved by 69.6 percent of Marin and Sonoma voters in the Nov. 4, 2008, election.

With that vote, SMART now moves from the conceptual stage toward the building stage. In the next several months, vehicles will be selected and advanced engineering work will begin.

Construction activity should start in 2011, with service now scheduled to begin in 2014.

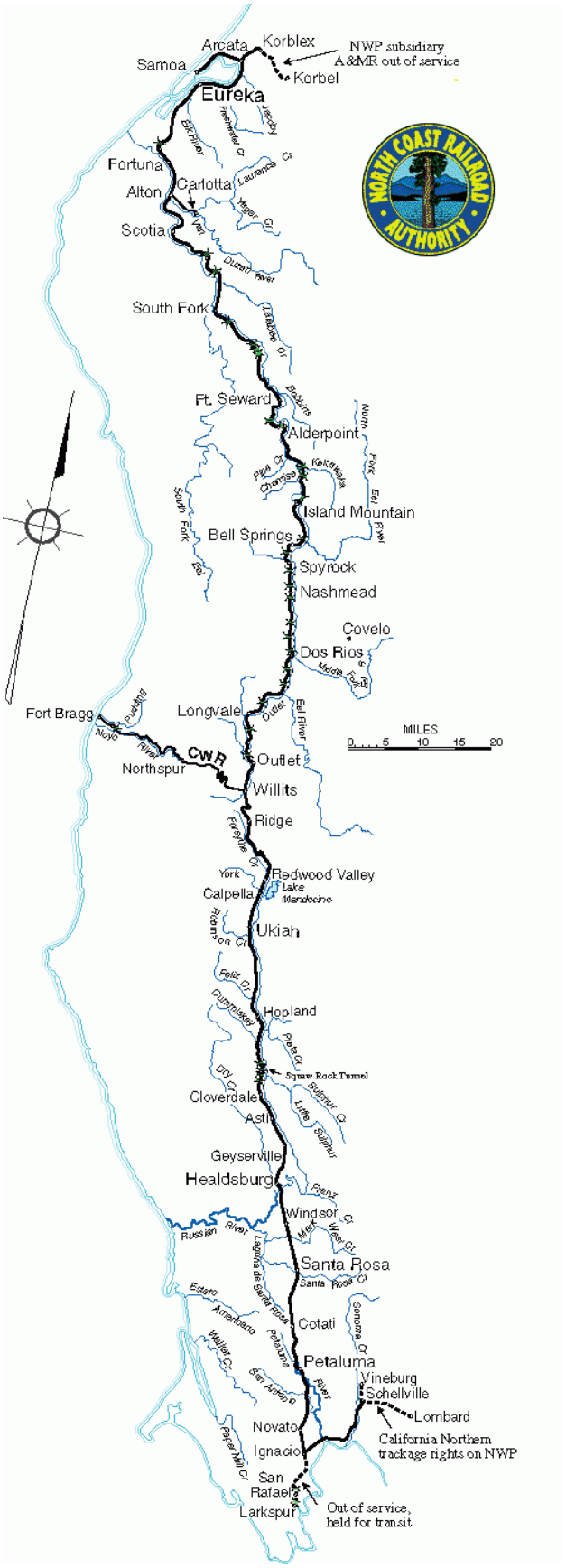
The SMART District is charged with planning, engineering, evaluating and implementing passenger train service and corridor maintenance from Cloverdale to a Ferry Terminal that connects to San Francisco.

What is SMART?

The Sonoma-Marin Area Rail Transit (SMART) Project is a passenger rail project located in San Francisco's North Bay. The project provides rail service along 70 miles of the Northwestern Pacific Railroad (NWP) alignment. Utilizing the publicly owned railroad right-of-way, the rail project will serve 14 stations, from Cloverdale in Sonoma County to the San Francisco-bound ferry terminal in Larkspur, Marin County.

SMART provides an alternative to Highway 101 traffic by upgrading the existing rail line and building a new bicycle/pedestrian pathway linking the 14 rail stations. SMART's environmental studies project that 5,300 passengers per day will ride the train and 7,000 to 10,000 people a day will utilize the bicycle/pedestrian pathway.

The rail project will take more than 1.3 million car trips off Highway 101 annually and reduce greenhouse gases, which contribute to global warming, by at least 124,000 pounds per day. Capital construction costs for the



rail and pathway project are estimated to be $590 million.

The SMART rail corridor parallels Highway 101, the only regional north-south transportation facility in the North Bay. Traffic congestion along this corridor has increased dramatically in the last decade and it is now ranked by Caltrans as one of the most congested freeways in the Bay Area. Over 80% of all North Bay commercial, residential and educational facilities are located along the SMART corridor.

The SMART project is being designed to reduce the North Bay's reliance on the single-occupant auto and to provide multi-modal, fuel-efficient alternatives to existing traffic and congestion on Highway 101. In addition, the rail project will enhance and improve the region's land use policies and preservation of agricultural lands by restricting all rail stations to incorporated areas.

The 14 stations along the corridor are being designed to accommodate available feeder bus services, shuttle services and, in selected suburban locations, park and ride facilities. Stations within the downtown areas of the three largest cities in the North Bay – Santa Rosa, Petaluma and San Rafael – are being designed with no park and ride facilities, only bus and feeder services to further enhance congestion mitigation efforts.

Commuter-oriented service will be provided by an estimated 14 roundtrip trains per day, operating at 30-minute intervals in the morning and evening peak commuting hours during the week. Bicycles will be allowed on board the trains, and weekend service also will be provided.

The SMART Project expects to use diesel multiple unit (DMU) vehicles along the corridor. The DMU is quieter, with lower noise levels and air emissions than conventional locomotive-hauled equipment.

Key activities related to the project's implementation include the following milestones:

- Certification of the Final Environmental Impact Report 2006
- Certification of the Supplemental EIR 2008
- SMART Sales Tax Measure approved by 69.6% of voters 2008
- Project Implementation/Construction 2009-2014
- Estimated Service Start Up 2014

On January 1, 2003, a new regional transportation district was established to oversee the development and implementation of passenger rail service in Sonoma and Marin Counties. The new rail district, created with the passage of California State Assembly Bill 2224 (Nation, District 6), holds in public ownership, over 70 miles of railroad right-of-way, estimated to be worth more than $1 billion.

The Sonoma Marin Area Rail Transit (SMART) District is governed by a 12-member Board consisting of elected officials: two county supervisors each from Marin and Sonoma counties, three appointed City Council members from each county and two representatives from the Golden Gate Bridge District.

North Coast Railroad Authority Freight Service

Freight service over the 70-mile SMART portion of the former Northwestern Pacific Railroad (NWP) and the other portions of the line north to the Eureka area and east to Schellville will be operated under the direction of the self-financing North Coast Railroad Authority.

The legislation that created the NCRA was signed into law in 1989. The Act was intended to ensure continuation of railroad service on the NWP rail line and envisioned the railroad playing a major role in the transportation infrastructure serving the North Coast. In creating the NCRA to restore and preserve rail service, the Legislature recognized that California's North Coast region suffers from restricted access and limited transport options.

The new NWP Co. was incorporated in California in 2006 to lease, manage, and operate trains on the NWP line. On September 13, 2006, NWP Co. entered into the lease agreement governing its contractual relationship with NCRA to provide train service. This agreement has an initial term of five years with options to extend the term under the same terms and conditions. As decided by the Surface Transportation Board (STB) on September 7, 2007, NWP Co. is now the exclusive common carrier of all freight trains, and passenger excursion trains on the NWP line between Lombard (national rail interchange) and Willits.

NWP Co. was selected by the NCRA Board of Directors following a Request for Proposals (RFP) process and an extensive interview process, which culminated with the NCRA Board's selection in September, 2006.

Although the NCRA serves as the policy board overseeing rail operations, it is also responsible for all repairs and maintenance on the 316-mile line prior to the onset of operations, and for securing capital funding once rail service resumes. The NCRA receives no operational funding from the state or any other governmental agencies.

NCRA's agency budget is comprised of property leases along the NWP line, the lease of rolling stock and equipment, and advance lease payments made by the Operator, the NWP Co.

ATTACHMENT D

About the Island Corridor Foundation

The Island Corridor Foundation (ICF) is a partnership of First Nations, five regional and 14 municipal governments that took over ownership of the 290-kilometre rail corridor in 2006 on behalf of the communities of Vancouver Island.

The historic agreement capped over three years of intensive negotiations with two of North America's rail giants, the Canadian Pacific Railway (CPR) and RailAmerica. It was made possible through the vision of the Cowichan Tribes, Mayors and Councillors from Vancouver Island communities, and railway enthusiasts who did not want to see the corridor divided and sold off in parcels to private interests to be lost forever to the people of the Island.

A 12-person Board of Directors governs the ICF. Five directors represent the Regional Districts and five directors represent First Nations.

Under an agreement with the Foundation, Southern Railway of Vancouver Island (SVI) acts as the rail operator for both freight and passenger services. VIA Rail provides passenger service between Victoria and Courtenay.

Since 2005, the foundation has invested $800,000 into track in high priority areas. In 2007, almost all Island municipalities provided direct and immediate support in the form of $440,000 in property tax concessions.

Assets

The ICF's transportation corridor and rail-related assets valued at $366 million include:

• Infrastructure – Rail, track ties, ballast, bridges, trestles, signals, rail yards, sidings, bridges, etc.

• Equipment – 13 rail cars, maintenance-of-way equipment and other vehicles.

• Land – roadbed lands along the 650-hectare right-of-way, land adjacent to the Corridor including trees available for sustainable harvest.

• Stations – four municipal and federal heritage railway stations located at Duncan, Nanaimo, Qualicum Beach and Courtenay plus stations at Parksville and Ladysmith.

Creating the ICF

When Norske announced that they would move their freight business to truck in 2002 there was considerable concern about the future of rail service on Vancouver Island. Without some significant intervention, it is likely that rail service would be abandoned

and the property sold off in parcels to private interests, forfeiting the benefits of a continuous corridor forever.

Cowichan Tribes had the foresight to see the potential of what preserving the corridor and rail service could mean to First Nations. At the same time, the Association of Vancouver Island and Coastal Communities (AVICC) saw the potential for Island communities. In an extraordinary collaboration between local government and First Nations, the two groups invited all interested parties to participate in two Roundtables on the Future of Rail on Vancouver Island to discuss the situation.

The second Roundtable resulted in the formation of the Vancouver Island Rail Initiative. This core group of visionaries prepared a number of studies around the feasibility of retaining the CPR assets and improving rail service.

What evolved was the current collaboration between regional districts and First Nations in a community ownership model. A strong consensus was formed around the vision of a charitable foundation that would be responsive to the communities along the right-of-way.

The ICF was incorporated in early 2004, signaling a partnership of unprecedented magnitude between the Regional Districts and First Nations. In December 2004, the Foundation was granted registered charity status. As a charity, ICF will be able to issue tax receipts for gifts received from organizations and individuals.

Connecting Communities

Vision: To preserve and use the E&N Corridor in perpetuity, as one continuous corridor to connect and benefit all Island communities and First Nations along the corridor.

Goal/Mission: Expand multi-purpose use within the corridor, connect to services beyond, and enhance freight and commuter rail service.

The ICF is a collaboration of First Nations and Regional Districts to protect the Island rail corridor. Without this intervention, rail service on the Island would have been abandoned and the continuous corridor lost forever.

Owned by the Island for the Island

The CPR and RailAmerica have donated their portions of the corridor to ICF. ICF is now the title-holder to all the land within the existing corridor, giving local First Nations and communities jurisdiction over this historic property for the first time since the land was granted to the Dunsmuirs for the E&N Railway in 1883.

Local governments and First Nations will then be able to capitalize on the certainty of long-term tenure, enabling long-range planning and the more efficient integration of services.

There will be more autonomy over decisions affecting Island communities, and as corridor activities become more linked with local economies, opportunities will only increase.

Registered Charity

The ICF was registered as a charity in 2005 and has 12 Directors, five from First Nations, five from Island Regional Districts, and two at-large members – one each appointed by First Nations and the Regional Districts.

Guiding Principles

- Provide safe and environmentally sound rail services.
- Promote economic and trade activity for First Nations and communities adjacent to the corridor.
- Preserve archaeological resources, historic landmarks, structures, artifacts, environmental features, and culturally sensitive sites.
- Create trails and other recreational opportunities.
- Undertake charitable activities beneficial to the communities along the corridor.

Next Steps

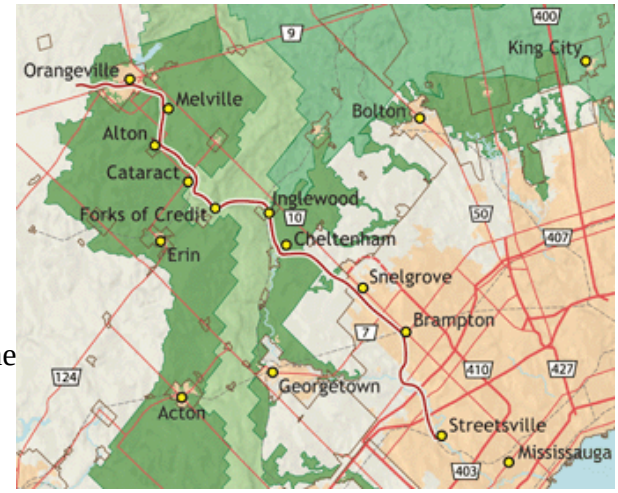
- Ensure a smooth transition to Southern Railway effective July 1, 2006. VIA Rail will continue to operate passenger services as they do now.
- Implement a 5-year plan to upgrade the rail infrastructure.
- Invite representatives from all First Nations and local governments along the corridor to assist with the planning for its future to the benefit of all communities.
- Start community consultations concerning the Heritage Railway Stations in Duncan, Ladysmith, Nanaimo, Parksville, Qualicum Beach and Courtenay.

Longer Term

- Develop long term plans for compatible uses, such as trails and walkways.
- Seek additional business opportunities.
- Explore the potential for commuter rail in the south.
- Build the Foundations role as a fund-raiser to assist and partner with community projects.

ATTACHMENT E

Orangeville-Brampton Railway/Credit Valley Explorer



The Orangeville-Brampton Railway (OBRY) began operations in September 2000 as a 34-mile short line involving a partnership between the Town of Orangeville, the local rail customers, the Canadian Pacific Railway and the railway operator, Cando Contracting Ltd.

The OBRY's mandate is to provide rail service to all industries in and around Orangeville and Brampton. OBRY also runs seasonal passenger excursions through the scenic Headwaters countryside.

Equipment and Facilities:

OBRY interchanges traffic with the CPR at Streetsville Junction in Mississauga, linking it to the North American rail network. Rail operations are based out of Orangeville utilizing the Orangeville Train Station on Townline Road.

Services and Products:

- Rail Siding Construction and Maintenance
- The diverse scenery on the OBRY – described by rail historians as one of "the most scenic short line railways in Southern Ontario" – has been used extensively for film shoots for commercials and motion pictures
- Passenger Excursions
- Rail service between Orangeville and Brampton: Tuesday and Friday

Customers:

- Orangeville Railway Development Corporation (The Town of Orangeville)
- Orangeville-Brampton Rail Access Group
- Performance Packaging
- Symplastics
- Poly One Canada
- Clorox (Glad plastic bags)
- Vulsay Industries
- Holmes Agro
- Industrial Thermo Polymers

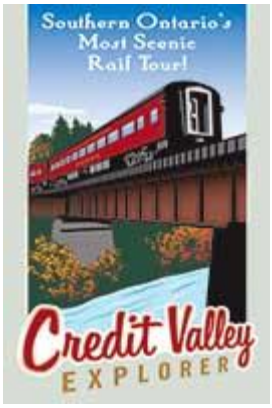
Credit Valley Explorer

Winter, spring, summer or fall, the Credit Valley Explorer is southern Ontario's premiere tour train experience. Each season offers unique views and different tour train services through the Credit Valley and Hills of Headwaters in the heart of Ontario's Greenbelt.

Known for rolling hills, deep valleys, unsurpassed fall colours and being the headwaters of four major river systems, the Hills of Headwaters Region provides a wonderful backdrop for the Credit Valley Explorer's journey. Enjoy spacious assigned seating, large picture windows and a meal service with complimentary refreshments served by friendly onboard attendants, all in a comfortable climate-controlled environment. Tours include interpretive commentary and a souvenir mile-by-mile printed tour guide.

Scenic highlights include the 1,146 foot long railway trestle bridge spanning the Credit Valley and the Forks of the Credit River, and the Forks of the Credit Provincial Park at Cataract. Most tours make a brief rest stop in the village of Inglewood to let passengers enjoy the charms of this quaint rural community.

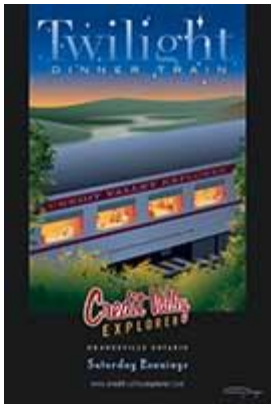
Travelling over a rail route established 130 years ago along the edge of the Niagara Escarpment, the 74km adventure aboard classic rail cars is sure to be a memorable experience!



Credit Valley Explorer Tour Train

A scenic 3 hour excursion through the Forks of the Credit and the Hills of Headwaters, travelling between Orangeville and north Brampton. Tours include complimentary refreshments and a meal served at your seat by our friendly onboard attendants.

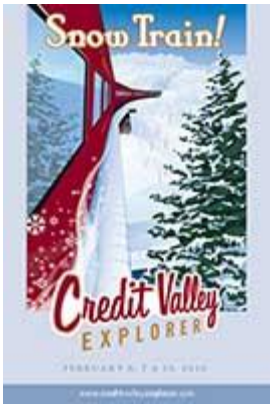
Operates May to October.



Credit Valley Explorer Twilight Dinner Train

Enjoy a meal freshly prepared by Chef Wade Plewes along with the constantly-changing view from your picture window seat on a relaxing 74km excursion though the Credit Valley.
Our casual dinner tours are a great way to spend a relaxing evening with family, friends, or that special someone!

Operates June to September, with special holiday season tours in December.



Credit Valley Explorer Snow Train

The Snow Train will take you on a 70km adventure through wintery hills and valleys, along icy rivers, and across the famous Forks of the Credit railway trestle. Tour includes complimentary refreshments and hot turkey lunch.

Operates February weekends.

ATTACHMENT F

Barrie-Collingwood Railway

The Barrie-Collingwood Railway (BCRY) began operations on January 26, 1998, following acquisition of the CN Newmarket Subdivision between Allandale (Barrie) and Collingwood by the Town of Collingwood and the City of Barrie. The objective of the municipalities was to preserve rail service to their present and future industries.

The BCRY included 31 miles of track between the two points, as well as five spurs in and around Barrie. Unfortunately, the closure of the Molson brewery in Barrie soon after the takeover cost them 25% of their traffic. Nonetheless, the BCRY has built a stable traffic base and added new customers, even in the face of an industrial decline in Collingwood.

The BCRY is a partnership between the City of Barrie, the Town of Collingwood, current shippers, the CPR and the railway's operator – Cando Contracting Ltd. The BCRY, often in conjunction with the CPR, works with local industries to evaluate railway shipping options to reduce freight costs and improve everyone's bottom line.

BCRY will work with customers to evaluate the benefits of railway shipments to support their business. BCRY can either arrange for the construction of a rail siding directly to the customer's facility or alternately provide trans-loading service from its team tracks and arrange truck delivery to the customer.

Equipment and Facilities:

Our locomotive building, office and trans-load facilities are located at the Utopia Interchange, CPR Station Code #3420, where we accept daily delivery from the CPR, a Class 1 railway connected directly to the North American rail network. Trans-loading team tracks are also located at Utopia, located west of Barrie on County Road 56.

Products and Services:

Rail Service in: Barrie – Monday, Wednesday and Friday
Stayner and Collingwood – Tuesday and Thursday
Trans-loading at Utopia – Monday through Friday

Railcar Storage

Rail Siding Construction and Maintenance

Customers:

- Town of Collingwood
- Bemis
- Bentofix
- Tarpin Lumber
- Comet Chemicals
- Besse Forest Products
- Barrie Metals
- Trans Canada Poles
- London Agriculture
- Canadian Mist
- Simcoe Co-Op
- Allandale Community Development Corp. (City of Barrie)

ATTACHEMENT G

Guelph Junction Railway

The Guelph Junction Railway (GJR) Division operates 24 miles of track between Guelph and Campbellville on behalf of the City of Guleph. Ontario Southland Railway also provides CPR and CN connections and common use track for trans-loading.

OSR Guelph Junction Railway freight train beside Guelph's Speed River. Photo by Brian D. Switzer.

Guelph Junction Railway customers include:

- Timber Specialties Co - wood preservatives
- PDI Bulk Liquids - liquid storage and transfer
- Owens Corning - fiberglass manufacturing
- Guelph Utility Pole - utility pole suppliers
- Polymer Distribution Inc. - distributor of plastic resins
- Pacific Northern Rail - railway contractor
- AOC Canada - resins for manufacturing
- Bi-Pro - transloader for grain prod.
- Metro Recycling - scrap
- Rocket Lumber - lumber products
- Sanimax - agriculture products
- Goodfellow - lumber and building products

ATTACHMENT H

Cando Contracting Limited

Cando, a dynamic employee-owned company, is in the business of supplying specialized services, quality materials, and innovative system solutions to customers in the rail sector and to those industries that depend on the movement of materials. Our experience and diverse range of product positions Cando as a high value, expert, and often, a seamless means of meeting customers freight and contract services needs.

In business since 1978, with operations spanning North America and sales worldwide, our company is committed to innovation, entrepreneurship, and a "can do" approach to doing business. Headquartered in Brandon, Manitoba, we have regional offices in St. Thomas, Ontario, St. Albert, Alberta, and Adel, Iowa. Cando owns and operates 30 locomotives and over 300 pieces of vehicles, rail service and construction equipment. We currently employ in excess of 300 employees and have annual gross revenues of approximately $50 million.

Our core products and services include:

Railway Operations

Our customer-first approach, qualified local operational personnel, and professional operating procedures, and reliable equipment ensure that Cando-owned short lines provide safe, dependable and efficient transportation services to our industrial customers. Our unique ability to provide complimentary services including spur construction and maintenance, switching, loading and unloading railcars, and logistical support, offer our customers a high value, one stop solution to their transportation challenges.

Short Line Railways:

- Central Manitoba Railway, MB
- Barrie-Collingwood Railway, ON (municipally owned)
- Orangeville-Brampton Railway, ON (municipally owned)

Railway Switching Operations:

- Magna-Formet, St Thomas, ON
- Toyota Motor Manufacturing Company, Cambridge, ON
- Toyota Motor Manufacturing Company, Woodstock, ON
- CPR Vaughan Intermodal Terminal, Toronto, ON
- Invista; Kingston, ON
- Cargill, Clavet, SK
- Imperial Oil, Edmonton, AB
- Magna – BGM, Bowling Green, KY

Construction and Contract Services

Experienced construction crews based in Ontario, Manitoba, Alberta, and the United States use one of the industry's best fleets of equipment to do the job on budget, to customer expectations, safely, and on time. Our competitive advantages are over 30 years experience in a broad range of rail industry activities, broad geographic coverage, an internal source of materials, and the reliability that comes with a professional construction operation. Cando construction and contract services include:

- On-track material pick-up and distribution
- Rail spur design and construction
- Rail line reclamation
- Track inspections and maintenance
- On-track material handling
- Specialized contract services

Trans-loading and Logistics Services

Railway service is very cost-effective for transporting bulk materials and products, but loading and off-loading railcar borne materials often presents unique challenges. Cando has demonstrated expertise and operating capabilities providing the interface between the long-haul rail carrier and the customer's production facility in wide range of bulk materials and large volume products. We provide seamless, turnkey, high-capacity solutions to trans-loading challenges with safe, innovative, reliable and cost-effective systems.

Material Sales

Cando's rail construction and reclamation projects provide a large supply of railroad materials available for resale to rail, industrial, and wholesale customers. Our consistent sorting, grading and quality control processes combined with Cando's quality guarantee ensure our customers receive the materials they specify. Our large, continually revolving inventory offers a large selection of types and qualities of materials for every use and our effective distribution system delivers the product to customer on time.

Cando is an employee owned company, and offers a stock incentive program for all employees and has over 230 employees who participate in the ownership structure. Our committed teams of employee-owners take the responsibilities and opportunities of ownership seriously, ensuring that our company consistently does the best job possible for the customer. The pride, conscientiousness, and enthusiasm our employee's exhibit translates into innovation, quality and exceptional service for our customers.

Cando believes in community involvement and working closely with the local charities and business community on every project we undertake. Cando is a full service railway company that is fully bonded, and carries $25 million comprehensive liability and railway protective insurance.

The Cando Commitment

At Cando, every team member is obligated to go the extra mile to meet the needs of our customer. To us this means a commitment to finding innovative, customer centered solutions and reliably delivering what we say we will deliver, safely, efficiently and on time. Our promise to you in your dealings with our company is integrity, high performance teamwork, and high value service.

ATTACHMENT I

Ontario Southland Railway

Ontario Southland Railway is a 100% Canadian-owned short line railway company, incorporated in 1992 to provide a number of transportation services to meet customer needs. On December 14, 2009 OSR took over the 32 miles of the St. Thomas Subdivision from Canadian Pacific. OSR now has operations in Guelph, Tillsonburg and Woodstock to St Thomas.

OSR provides railway contract operations including complete maintenance, locomotives and related equipment. OSR provides contract switching including locomotive leasing and maintenance, with or without yard crew. Our employees meet required government certification and are dedicated to providing safe courteous service to our customers. At Ontario Southland Railway, service is more than just a slogan, it is a promise.

ATTACHMENT J

BACKGROUNDER: VIA'S BUDD STAINLESS STEEL FLEET

The 174 cars in VIA's stainless steel fleet were primarily built for Canadian Pacific (CP) in 1954-1955 by the Budd Company of Philadelphia, the world's leading manufacturer of stainless steel rolling stock. These elegant and robust cars were used to create CP's *Canadian*, the last all-new train of the Art Moderne-influenced Streamlined Era. VIA bought this distinctive and durable rolling stock when it took over the operation of the former CP services in 1978.

Between 1990 and 1993, VIA completely rebuilt the CP cars, as well as some additional Budd equipment acquired from the U.S. The cars were stripped to their shells and fully remanufactured for greater efficiency and passenger comfort at a fraction of the cost of new and unproven equipment. New interiors and a head end power (HEP) system were installed to eliminate the obsolete steam and battery-generator systems that previously provided lighting, heating and air conditioning.

This $200 million project not only renewed the cars for another 15-20 years of productive service on the *Canadian* and other long-haul and remote trains, but reduced operating costs by more than $20 million annually. A subsequent HEP 2 program applied the same modernization techniques and systems to 33 Budd stainless steel cars for use in the Quebec-Windsor Corridor.

As far back as the 1950s, Budd proudly proclaimed that not one piece of its rolling stock had ever been retired because it had worn out. More than a half-century later, VIA's HEP 1 and 2 fleets reinforce that accurate claim.

-30-

October 23, 2009
Greg Gormick

ATTACHMENT K

BACKGROUNDER: VIA's RAIL DIESEL CAR FLEET

The "Vest-Pocket Streamliner"

ABOUT THE TRAINS:

When the Budd Company of Philadelphia unveiled its first rail diesel car (RDC) at the Chicago Railroad Fair in 1949, it was the hit of the show – and for good reason. For decades, railroaders had tried to develop a fast, light and sturdy self-propelled passenger car that could simultaneously reduce operating costs while improving performance and passenger appeal. The RDC proved to be the answer and – 61 years after it made its debut – no comparable North American passenger rail equipment has come along to match or exceed its unique capabilities. The RDC is still ideally suited to two of VIA's most diverse services.

The two key elements in the RDC's success were the stainless steel carbody construction and the compact diesel power plant. The Budd Company pioneered the manufacturing of stainless steel passenger rail equipment using its industry-leading, patented production techniques. The advantages of stainless steel in rail car construction include its strength (and consequent safety), its corrosion-free durability, its low maintenance cost and its crowd-pleasing good looks.

As employed in Budd locomotive-hauled passenger cars, stainless steel played a large part in "the streamliner era" of North American railroading from the 1930s into the 1950s. The RDCs were directly related to these stylish stainless steel trains, including VIA's world famous transcontinental streamliner, the *Canadian*. As a result, the RDCs are often referred to as "vest-pocket streamliners."

Just as important as their stainless steel carbody construction was the RDC's lightweight diesel engines and hydraulic drive system. Using components that had been proven in the automotive and military fields, this propulsion package offered low first cost, low operating costs and reliability. Completely contained underneath the RDC's carbody, this diesel power system was designed for easy and quick maintenance, making it possible to operate them in quick turnaround service and enabling them to rack up many more miles of service daily than conventional, locomotive-hauled trains.

In combination, the RDC's rugged stainless steel construction and economical power plant produced a car that was ideally suited to a wide range of services. The Budd designers – who engineered and built the first RDC from scratch in the remarkably short span of just nine months – had all along visualized it as a passenger rail car that could fulfill a number of market segments not being adequately addressed by other carbuilders at the time. They aimed for a maximum of market-driven service flexibility by designing the RDCs to operate as single units or in multi-car trains offering a wide range of

capacity and accommodations. To do this, Budd produced five variations on the basic design:

- RDC-1: 90 passengers, without a baggage or mail compartment;
- RDC-2: 70 passengers, plus a baggage compartment;
- RDC-3: 48 passengers, with an enlarged baggage and mail compartment;
- RDC-4: No passengers, with baggage and mail compartments only; and
- RDC-9: 94 passengers, but with no control cabs and only one engine, requiring operation with a cab-equipped RDC.

The success of the five versions of the RDC can be measured by the breadth of the services in which they were employed. These ranged from frequent-stop commuter runs in Montreal and Boston to fast intercity services in Southwestern Ontario to remote services in the Canadian North and Alaska. With the wide array of services provided all across the country by Canadian Pacific and Canadian National, the RDC was well suited to Canadian passenger rail service and more than one-quarter of the 398 produced between 1949 and 1962 ultimately served here. When VIA took over the CP and CN passenger services in 1978, its RDC fleet of 97 cars was the largest in the world.

RDCs also saw extensive service throughout the U.S., as well as in Australia, Brazil, Cuba and Saudi Arabia.

In addition to the six RDCs that IRSI is rebuilding for VIA, another 13 former VIA cars were refurbished in Canada in 1996-1997 for the Trinity Rail Express commuter system that links Dallas and Fort Worth, Texas. Another two RDCs were recently acquired by the TriMet transit system in Portland, Oregon, which plans to use them on its Westside Express commuter rail service.

When the RDC was first operated in revenue service in Canada by CP back in 1953, the Budd Company celebrated the occasion with advertisements that proclaimed it to be the "car with a future for Canada's future." That pronouncement is just as valid today. The proven durability and flexibility of the RDC's design – combined with the new and advanced sub-systems being incorporated by VIA as part of the current rebuilding program – make it the ideal piece of passenger rolling stock for the demanding and diverse services to which VIA assigns it today.

ABOUT THE PROJECT:

Rebuilding VIA's RDCs will cost about $2 million per car and the first will be delivered within one year. There is currently no suitable North American self-propelled diesel rail car design that VIA could purchase "off the shelf" from any manufacturer. Developing such a car would take four years or more, require extensive testing and debugging, and cost $5 million or more per car.

Like the Budd stainless steel, locomotive-hauled rolling stock that VIA employs on its transcontinental *Canadian* and other long-haul trains, the Budd RDCs have proved more durable than even their creators suspected. The earliest cars are now more than 50 years old, have reliably provided millions of kilometres of service and show no sign of wearing out structurally. The sturdy carshells remain corrosion-free after more than half-a-century of rugged use and many other sub-systems are equally sound. This rebuilding program will prepare them for up to 20 additional years of safe and productive service.

The RDCs will be completely disassembled and stripped of all reusable and recyclable components. Rather than being wastefully scrapped, the trucks, wheelsets, couplers, drawbars and seating will be completely reconditioned. Work on the trucks and wheelsets is being undertaken in-house at VIA's Montreal Maintenance Centre. Among the new and advanced systems being incorporated into VIA's RDCs by IRSI are:

- New interiors and fully-rebuilt seating incorporating new armrests that improve accessibility for passengers with special mobility needs;
- New, fully-accessible washrooms and Microphor full-retention toilets
- New LED interior lighting;
- New cabs at one end of each RDC with new operator controls;
- New electrical wiring, heating, ventilating and air conditioning systems;
- Fully-rebuilt Cummins N14E-R diesel engines that meet Euro II emission standards;
- New Stradco 150 kW auxiliary power units on each car to provide an increased electrical supply for all on-board systems; and
- Fully-rebuilt air brakes.

The first of the six rebuilt cars – RDC-4 #9251 – will be delivered by IRSI in April 2011 and the last car will be completed by the end of the year. As each car is completed, it will be assigned to one of the two VIA RDC services to replace an un-rebuilt car currently in service, thus assuring no service disruption or diminishment of capacity during the program.

ABOUT THE PROJECT'S ECONOMIC BENEFITS:

VIA's $12.6 million contract for the rebuilding of its RDC fleet is part of an unprecedented $923 million in passenger rail modernization and expansion by the Government of Canada. The project will support 31 to 40 positions at IRSI and generate 22.5 person-years of direct employment, as well as foster economic activity for numerous suppliers. It will also strengthen IRSI's position as the preeminent rebuilder of passenger rail rolling stock in North America and a specialist in the renewal of Budd RDC equipment.

ABOUT INDUSTRIAL RAIL SERVICES, INC:

Industrial Rail Services, Inc. (IRSI) of Moncton, New Brunswick, is a full-service locomotive and passenger rail car facility specializing in equipment repairs, remanufacturing, modifications and refurbishment. Since its founding in 1999, IRSI has become North America's premier rebuilder of rail passenger equipment, strengthening Moncton's reputation as a global rail centre of excellence for more than a century.

IRSI's modern and well-equipped facility is located in the CN Gordon Yard on the eastern transcontinental main line. Its 125,000-square-foot facility is equipped with 18 exhausted service bays, overhead cranes, drop tables, tool cribs, designated stores and document control areas, a metal fabrication shop, training facilities, a wash bay and a new 100-foot, state-of-the-art paint shop.

The strength of IRSI is its highly skilled and dedicated workforce, whose craftsmanship is recognized throughout the rail industry and has earned the company certification by the Association of American Railroads.

IRSI has extensive experience in the refurbishment of Budd RDCs. In 2001, the company overhauled the five RDCs currently employed on VIA's Sudbury-White River and Victoria-Courtenay routes. These cars have provided reliable service over the past nine years. Thanks to the advanced sub-systems that IRSI will apply under this program, VIA's RDC fleet will deliver an enhanced level of service that will be more comfortable, accessible and cost-effective, as well as enhancing their already-low environmental footprint.

ABOUT VIA RAIL CANADA:

As Canada's national rail passenger service, VIA Rail Canada's mandate is to provide efficient, environmentally sustainable and cost-effective passenger transportation services, both in Canada's business corridor and in remote and rural regions of the country. Every week, VIA operates 503 intercity, transcontinental and regional trains that link 450 communities across its 12,500-kilometre route network.

The demand for VIA services is growing as travellers increasingly turn to train travel as a safe, hassle-free and environmentally responsible alternative to congested roads and airports.

-30-

March 26, 2010
Greg Gormick

ATTACHMENT L

Industrial Rail Services, Inc.

Industrial Rail Services, Inc. is a Moncton-based, full-service locomotive and passenger car facility specializing in repairs, remanufacturing, modifications, and refurbishment. Our modern, 125,000 square foot facility includes 18 exhausted service bays, overhead cranes, drop tables, tool cribs, designated stores and document control areas, metal fabrication shop, training facilities, wash bay and 100' state-of-the-art paint shop.

We are an AAR certified facility with a diversified, experienced, and composite skilled workforce. IRSI employs qualified, experienced, and composite-skilled manpower to provide expertise in a variety of fields. Our skilled trades' expertise includes electricians and electronics technicians, mechanics, machinists, carmen, and welders/fabricators.

Part of the 27-car Industrial Rail Services Budd RDC inventory available for remanufacturing and decades of safe, comfortable and cost-effective service.

Industrial Rail Services Inc. has available the following resources departments: engineering and technical team, drafting and design, quality assurance and quality control, and production, planning and control.

The following list of projects showcases a few of the capabilities of our shop:

- Passenger car refurbishment
- Passenger car remanufacture (prototype design and build)
- Passenger car, freight car, and locomotive wreck repairs
- Complete locomotive rebuilds, upgrades, and overhauls
- Engine rebuilds
- Passenger and service car rewires
- Locomotive rewires
- Passenger car and locomotive modification (design and build)
- Retention tank and toilet system design and installation
- Locomotive, passenger car, and freight car painting

IRSI's demonstrator RDC #6202 at the beginning of the remanufacturing process.

IRSI's remanufactured demonstrator RDC #6202 on a test run.

ATTACHMENT M

CAPITAL TIMES, MADISON, WISCONSIN, WEDNESDAY, DECEMBER 15, 2010

When Gov. Jim Doyle announced in July that a high-speed rail line from Milwaukee would stop in Madison near the Monona Terrace Convention Center, Mayor Dave Cieslewicz saw vast potential for downtown.

The rail station was to be at the Department of Administration building on East Wilson Street, and Cieslewicz hired former city planning director George Austin to get to work on organizing a series of developments for the two blocks in front of it.

Those currently include a 52-year-old parking ramp in imminent need of replacement and the Madison Municipal Building, but Cieslewicz saw the rail station as a catalyst for a much larger vision, including a new, expanded parking ramp, a potential hotel to serve the convention center that would incorporate the Municipal Building, a bike parking facility, a multi-modal transit center, and a public market focused on local foods and goods.

"So, imagine this," Cieslewicz wrote on his blog in May. "You drive, ride your bike or take a bus to the new station. You grab some lunch at the public market or a nearby

restaurant before you catch your train to Milwaukee. You spend an afternoon in Milwaukee doing business or visiting a museum or going to a Brewers game (if it's a ball game, the Brewers will win). You take the train back, enjoying the ride, maybe working on your laptop computer."

Later in September, innovative local restaurateur Chris Berge announced he would be converting the high-end Norwegian Restaurant Magnus into a more affordable, bike-centric restaurant, a move he said then was sparked by the advent of the high-speed rail station.

A wrench in the plan

The Milwaukee-Madison high-speed rail line was one portion of the Midwest Regional Rail Initiative, a multistate plan for high-speed rail that dates back to 1996 and Gov. Tommy Thompson's administration.

SOURCE: Wisconsin Dept. of Transportation The Capital Times

But plans for downtown have changed dramatically since then.

A centerpiece of Scott Walker's campaign for governor was a pledge to take the $810 million that the federal government pledged for the rail line between Madison and Milwaukee and use it for roads and bridges instead. Walker's election on Nov. 2 brought the issue to a head, and when he wouldn't back down, the U.S. Department of

Transportation announced last week it would redirect the money to high-speed rail projects in other states.
So what does that mean for Madison?

Cieslewicz and other rail backers say it means at least a short-term loss of new jobs and economic boosts from travelers. More broadly, they fear that Madison and the rest of Wisconsin risk being bypassed by a form of transportation that some have called the next interstate highway system. At best, they say, plans for a high-speed rail line between Chicago and the Twin Cites through Wisconsin have been delayed indefinitely. At worst, they say it opens the door for a rail line between the two metro areas that skirts Wisconsin entirely, running from Chicago to Dubuque, Iowa, and then north through Iowa and southern Minnesota.

The reaction in Madison's business community is mixed. Some say the loss of rail is unfortunate, but not really dire, as they hope that Walker's administration will fulfill another campaign promise to bring an improved business climate to the state.

But as for that bike-centric restaurant planned by Berge, don't bet on it. Berge announced in early December that the Velo Bahn restaurant could not go forward without the rail station across the street: The business plan assumed that 20 percent of the restaurant's customer base would be rail travelers.

"It felt like sort of a really bleak financial picture" for the restaurant, Berge says, adding that Magnus will still close by the end of the year. "Basically, thanks to the vote by the GOP and Scott Walker administration, I'm going to terminate 45 jobs and $1.8 million in commerce per year."

Walker was undaunted in the face of a booming chorus of similar criticism last week. He declared the loss of rail funds a "victory" for the state and his opposition to "runaway government spending."

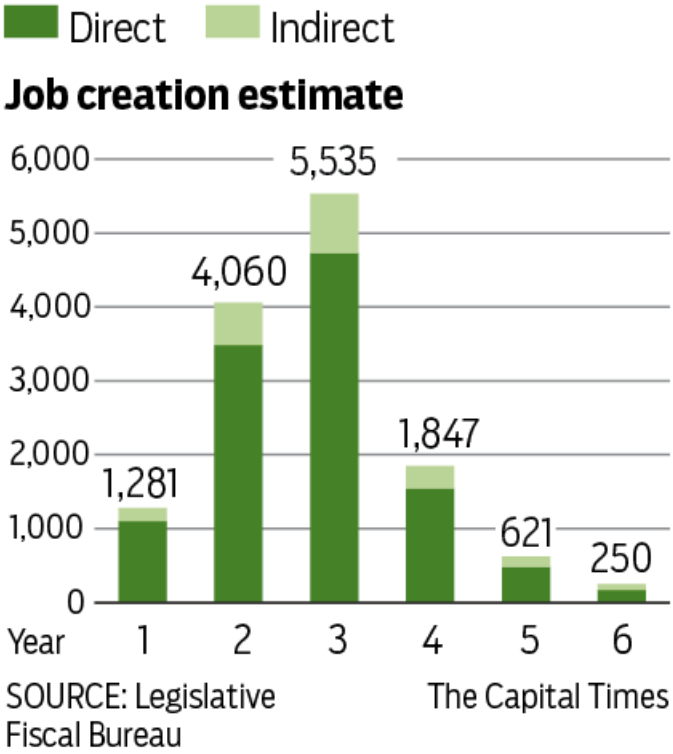
"As I said along the campaign trail, we didn't need and couldn't afford the Madison to Milwaukee rail line," he said in a prepared statement last week. "While I would have preferred to have the $810 million reallocated to repair our crumbling roads and bridges, I am glad that the transportation fund will not be on the hook for a minimum of $7.5 million of operating subsidies every year."

Still, there are some downsides to the decision that Walker chose not to mention.

According to the Legislative Fiscal Bureau, the construction of the rail line would have directly created 1,100 jobs in the first year, 3,483 in the second year, 4,732 in the third year, and 1,542 jobs in the fourth year. In addition, the Talgo train manufacturing plant that located in Milwaukee to produce trains for the Midwest rail lines as well as the rest of the nation's high-speed rail system will now close in 2012, according to a company representative, and more than half of the 125 employees expected to be working at that time will likely be laid off.

Jobs derailed

The state's Legislative Fiscal Bureau estimated the number of jobs that would have been created by the multiyear construction of a high-speed rail line between Madison and Milwaukee.



For Madison, Cieslewicz says the loss of high-speed rail could have serious effects on the redevelopment of the two city blocks across from the proposed station. The city will have to build a new parking ramp as planned in the near future, but some of the elements of the city's plan that assumed a busy rail station would be present downtown, including the public market, convention center hotel and multi-modal transit hub, may be delayed or even scrapped.

"We were considering all those other projects independently before we learned about high-speed rail coming to the city, but then the high-speed rail station was a catalyst and centerpiece that pulled all those together," Cieslewicz says. "Without it, the projects still might work independently, but we've lost that impetus of" a half-million additional people stopping downtown.

"It's like making a cake and missing one ingredient," he says. "With the high-speed rail station, it makes all of these things much more viable. Without it, they still may happen, but they'll probably happen on a different time line."

Similarly, Susan Schmitz of Downtown Madison Inc. says her group of downtown business owners saw the rail station as a major boon for bringing in new customers, adding that the events of recent weeks have been disheartening to those business owners. Moreover, she says, the rail line would have connected Madison businesses and institutions, such as the university's Wisconsin Institutes of Discovery, to the global economy.

"That's such an amazing place and that's going to be an attraction to people all over the world," she says. "How are they going to get here and move around? Not everyone is going to rent a car. We need to think about being connected to the world."

In addition to benefitting the modern economy fueled by UW-Madison through bio-agriculture, stem cell research and nanotechnology, rail advocates are quick to point out what high-speed rail could have done for the region's traditional industries, from agriculture to tourism. Currently, agricultural and manufacturing freight moves on worn-down tracks between Madison and Watertown at a speed of 10 mph. Upgrading the tracks for high-speed rail would have allowed freight to move four times as fast.

As for tourism, some say it would take only a small fraction of Chicagoans coming up to Madison for a Badger game or an Overture performance to make a big economic impact.

"Just think about the Overture Center," says Ald. Chris Schmidt, who sits on the city's Transit and Parking Commission. "Just assume that every year, the train would enable 10,000 people to travel up to Madison to visit and catch a show. That's a tiny fraction of the Chicago population. Let's say each of them spend $150 on average. You're already at $1.5 million" injected into the local economy each year.

In addition to the immediate jobs and development impact of losing high-speed rail, some say the biggest effects on Madison and the rest of Wisconsin will be harder to measure, such as the effect of losing an additional transportation option or tarnishing the reputation of the state as a place to do business.

High-speed rail is "not just about Madison - it's about Wisconsin. It puts Wisconsin on the map as a connected place ...," Cieslewicz says. "It helps transform our image. Imagine not being on the interstate. Imagine it was the 1950s and connecting Milwaukee and Madison and Eau Claire and saying, 'We don't want to be part of that.' Imagine how we would have been left out."

Steve Hiniker, director of the environmental group 1000 Friends of Wisconsin, adds that delaying the rail line could have serious consequences for the environment. High-speed

rail lines promote dense, pedestrian-friendly development that allows people to get around without having to use their cars, he says.

"When you build a highway, you've determined the kind of transportation you can have: You can have a car. When you have a train, you get off the train at the station and you're on foot. In order to be successful, you have to have walkable destinations or a good transit system. Right now, we don't have a lot of either, so it's hard for people to see how it would work," he says.

Adding that type of development, however, may be essential for both the environment and the state's economy, he asserts. The reduction in vehicle emissions from reduced automobile use is significant, he says, while noting that studies show that up to 70 percent of Generation Y workers want to live in attached or small-lot housing, neither of which Wisconsin has a lot of, thereby limiting its ability to attract younger workers.

Train backers are convinced that high-speed rail will soon catch on in the U.S., but Jessica Guo, an engineering professor at the University of Wisconsin who studies transit and travel behavior, says she and other transportation professionals are "hopeful, but skeptical" of high-speed rail's potential in the United States, noting that it is currently more widely used in densely populated European and Asian countries. However, she says, with plentiful transit options to and from the high-speed rail stations and smart development planned nearby, high-speed rail could be what the United States needs right now.

"If we want to kind of shift people from driving or flying to rail, we need to make sure that the service is indeed very attractive," she says. "I think rail is a good thing if done right."

One thing that may also need to change for rail to be successfully built and operated are people's attitudes, she adds, noting the argument from many rail opponents that the money should be spent on roads.

"We're so accustomed to just getting into our car and driving, short or long distance," she says. "That's not going to change overnight. At the end of the day, it really has to be a very long-term investment to change technology, change people. If we don't even try, then it never happens. ... If we don't try to do something about this, the concern with air quality, with energy security, that's just going to worsen."

Many in the Madison business community, however, maintain hope that, regardless of the failed rail project, the Walker administration will improve Wisconsin's economy. Mark Bugher takes a nuanced view.

The director of University Research Park, a friend of Cieslewicz's and also a former Cabinet member for Republican Gov. Tommy Thompson, Bugher says he understands Walker's scrutiny of the line, conceding it was a hard decision.

"Wisconsin is a state that generally is a contributor state to the federal treasury and doesn't get its share of federal resources," he says. "That part of it would be painful, but this is a time in today's political and economic climate where you have to stand up and say the principle trumps the pain of sending this check back."

Bugher says he expects the main focus of the Walker administration, once in office, to be working on the state's budget and business climate. In particular, he says, Walker should focus on small businesses, recognizing that most jobs are created by those with fewer than 50 or maybe even 25 employees. While a train could have been an asset to the state, what's important to those businesses, Bugher says, is tax policy and the regulatory environment in the state, both of which he expects Walker to address.

Area business organizations such as Thrive and the Greater Madison Chamber of Commerce had written letters supporting the high-speed rail line both before and after Walker's election, but they don't say its loss will be devastating.

Sean Robbins, executive vice president of Thrive, which advocates for economic development in eight southern Wisconsin counties, says the group's position had been that any additional transportation mode fosters the growth of local economies in a region.

Still, high-speed rail is by no means the only way for Madison and the region to position itself as an economic force, Robbins says. In particular, he says his group wants to focus on retaining businesses and improving the business climate in Wisconsin, as more than half of all new jobs in the state come from existing businesses.

"We're not saying the business community gets everything all the time," Robbins says. But knowing that a city, county and state "want them here and want to be proactive to help them grow and set the conditions for them to add jobs to the state - just that relationship alone is great to make a difference."

What the future will bring for expanded passenger rail in Wisconsin remains to be seen. Some, such as Cieslewicz and transportation advocate Robbie Webber, have said they are concerned that turning down the rail money in Wisconsin could lead Minnesota to start planning to go around Wisconsin and choose a high-speed line to Chicago that goes through Iowa.

"It's not that much farther," Webber says. "Minnesota just wants to connect to Chicago and if they have to pass Wisconsin, they'll do it. ... It would be just as if there is no interstate."

Others, however, hold out hope that the Milwaukee to Madison to Minneapolis line will be funded by the federal government later down the road. Ald. Schmidt says the Obama administration's decision, like Walker's opposition to rail, are political positions that do not speak to the merits of the Wisconsin line, which was the only rail project in the American Recovery and Reinvestment Act to receive 100 percent federal funding. When

and how much a future rail project gets funded by the federal government, however, is an open question after the state has turned down money once.

"It's also going to make it harder for us to achieve federal grants for transportation for any project," he says. "This is a state that threw away money when it was offered."

What makes the events of the past few months most frustrating for rail advocates, however, is having to wait for what they see as inevitable given the rising costs of gas and increased dissatisfaction with air travel.

"I am 100 percent convinced, without a shadow of a doubt, (the United States) will have a passenger rail system that is interconnected and well-used within 20 years," Hiniker says. "Wisconsin could have been an early adopter at no cost. It will happen and it will cost us in Wisconsin a lot more money. ... The mayor might be right; it may never be in Scott Walker's tenure, but he's not governor for life."