OPINION

Canada's next budget bomb is the Alto high-speed rail project

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A rendering of the Alto high-speed rail project.

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Without a single track laid, the Alto high-speed rail project is barrelling toward a costly fiscal reckoning.

Size is a major factor. Alto is estimated to cost $60-billion to $90-billion and cover more than 1,000 kilometres. For an infrastructure project of that scale, even minor planning errors can add billions in public costs. Compounding that risk, Ottawa has proposed accelerating construction by roughly four years, effectively locking in fiscal and political commitments before routes, station locations and land requirements are resolved.

There is nothing wrong with wanting Canada to pursue large projects that could add long-term value. Ambitious infrastructure can play a constructive role in economic development and national cohesion. Concern arises when an initiative is sold through aspirational language – described as a "game-changer," a "generational investment" or a way to "turbocharge" the economy – before its costs, scope and risks are clear.

Construction on high-speed rail linking Toronto and Quebec City to begin by 2032, CEO says

That framing builds political momentum that constrains scrutiny and makes it harder to revisit assumptions as new evidence emerges, often resulting in higher costs for taxpayers and less than promised for future users.

Yet Alto is being pushed forward despite key unanswered questions – including where the line will run, where stations will be located, how the train will enter major cities and what land must be acquired.

International best practice, including guidance from the Organization for Economic Co-operation and Development and research by economic geographer Bent Flyvbjerg, cautions against committing to large infrastructure projects before routes, costs and delivery risks are clearly understood. Accelerating a project of this scale under such conditions increases the likelihood that practical problems will emerge only after political and financial commitments are locked in.

Canada has limited experience in building true high-speed rail. Even European countries with decades of experience often face major delays and cost overruns. Canada would be undertaking this for the first time, in an economy that has for years struggled to deliver infrastructure projects on time and on budget.

A 2018 European Union audit found high-speed rail projects across the union experienced average cost increases of 78 per cent over original estimates. If jurisdictions with established expertise face increases of that scale, the fiscal risks for a first-of-its-kind Canadian project are inevitably higher.

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Canada has a recent record of large overruns on projects less complex than high-speed rail. Metrolinx says Ontario Line construction costs have nearly doubled since an original $10.9-billion estimate. The Trans Mountain pipeline expansion's final cost of $34-billion was about $28-billion above its original estimate. If projects of lesser complexity can go so far off course, a $60-billion to $90-billion high-speed rail carries fiscal risk on a different order. Political urgency cannot override complex engineering realities.

The real question is how expensive Alto would be for the travel time it saves. Publicly available estimates suggest that high-speed rail on the Toronto–Quebec City corridor would reduce end-to-end travel times by roughly four hours compared with today's service. On that basis, the project implies capital costs of roughly $250-million to $375-million for each minute of travel time saved.

For context, the 2018 audit of EU projects found average costs of €90-million a minute saved ($146-million), though there was wide variation between lines. Alto appears well above that average.

It is also useful to compare costs on a per-kilometre basis. High-speed rail lines in Europe have averaged about €25-million per kilometre, or roughly $40-million, according to the same EU analysis. For a corridor of about 1,000 kilometres, Alto would imply costs of about $60-million to $90-million a kilometre – again, materially higher than Europe.

First segment of high-speed rail plan will link Montreal and Ottawa

A 2025 C.D. Howe Institute report estimates high-speed rail could deliver $15-billion to $27-billion in benefits, ranging from faster and more reliable travel, reduced road congestion, improved economic connectivity and lower emissions. These benefits exclude operating revenues, and the report does not assess whether total benefits exceed the project's costs. Even so, the benefits identified are modest relative to the capital investment required to build a high-speed rail line.

Proponents of Alto also point to the use of public-private partnership to manage some fiscal risk. While this approach can shift some delivery and performance risks to private partners, cost increases from design changes, land acquisition, permitting or delays ultimately fall to government. For a project of this scale, taxpayers remain the backstop if costs rise or assumptions prove optimistic.

The economic case for the full Alto corridor hasn't yet publicly cleared a conservative cost-benefit test. Earlier federal analysis suggested the Montreal–Ottawa–Toronto segment was more plausible than the full Toronto-Quebec City corridor. The much higher costs now being discussed only further raise the bar to deliver corresponding benefits.

The core issue with Alto is premature commitment. Best practice uses solid business cases to decide whether a project should move ahead before political

commitments are locked in. Ottawa should lean on the brakes until that business case exists.

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