

Varcoe: Calgary to Banff rail link eyed in UCP's grand recovery plan

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Alberta's new economic recovery plan doesn't lack for ambition.

Premier Jason Kenney is setting his sights on several big targets, from potentially laying the groundwork for a new passenger rail service between Calgary and Banff, to poaching financial firms from Bay Street.

These ideas are grand, but are they grounded in reality? We're about to find out.

On Wednesday, one of the key planks in the plan kicked in, with the province cutting its corporate income tax rate to eight per cent from 10 per cent, accelerating a planned reduction 18 months ahead of its original schedule.

Kenney said having the lowest corporate tax rates in the country will assist efforts to attract new businesses to Alberta, such as banks and financial services firms.

In the coming months, the province will also introduce industry-specific plans.

On the tourism front, the document references plans to launch a 10-year strategy to support the industry by advancing strategic infrastructure investments, "including participation in the Canada Infrastructure Bank's potential \$1 billion project" that would develop passenger rail service between Calgary and Banff.

The idea is currently being examined by Alberta and the federal Crown corporation. The two sides signed a memorandum of understanding (MOU) last month to complete a study and conduct due diligence on the project.

"Nobody is close to a final investment decision on this. But we are intrigued by the concept," Kenney said in an interview Monday, noting passenger train service between Calgary and Banff would reduce traffic congestion on highways and improve labour mobility in the area.



Premier Jason Kenney answered questions from reporters, from Calgary on Monday, June 29, 2020, on the plan for Alberta's economic recovery. (CHRIS SCHWARZ/GOVERNMENT OF ALBERTA)

"I am pretty bullish on the idea, but we obviously need to run the numbers in a very serious economic and engineering study."

The new study follows a 2019 report commissioned by Banff, Cochrane, Canmore and Calgary that found a passenger rail link was feasible. However, it estimated the capital costs at \$680 million and noted an operating subsidy of up to \$9.1 million annually could be required.

According to the Canada Infrastructure Bank, the 130-kilometre-long service would potentially have six stops — including the airport, downtown Calgary and Banff — and be built along a line within CP Rail's existing corridor. (Bank officials point out it would not be considered high-speed rail service.)

CIB chief investment officer John Casola said this week the two sides are updating the initial study and looking at technical issues, as well as the project's social and economic effects. He expects the report to be done by year's end.

"I tell you, we wouldn't have signed an MOU and made an announcement if we didn't really, really like the project and think that it has high potential," Casola said.

"There is probably, given the numbers that we've seen so far, a way to get this done with all the willing parties . . . We need to wait for the studies to be completed."

Jan Waterous, who along with her husband, Adam, has advocated bringing passenger rail service to Banff and has acquired a lease for the community's train station, is encouraged the proposal was mentioned in Alberta's economic recovery blueprint.

"Seeing it included felt like just one more step that we think brings us a little bit closer to getting passenger rail," she said.

Another idea Kenney touted was using lower corporate taxes as a way to attract businesses such as insurance firms, fintech and banks from other cities to move to Alberta.

"A lot of companies are taking a step back to reassess their footprint, where they invest, where they operate," Kenney said. "We want to be on the radar screen in executive suites when those decisions are made."

However, there's a fair bit of skepticism the idea will succeed.



Calgary-based economist Trevor Tombe LEAH HENNEL/POSTMEDIA

“What do we think here that TD is going to up and move to Calgary? No, there may be a case for smaller startups,” said University of Calgary economist Trevor Tombe.

“But the agglomeration effects that exist in Toronto, the benefits of locating near where others in your sector are located, are huge. . . . A couple of points on tax rate is not going to lead a major bank to shift to Calgary.”

University of Toronto finance professor Andreas Park, a fintech expert, said dropping the corporate tax rate is likely not as important to a financial operation than the availability of skilled employees.

As well, many startup financial services firms don't make a profit and lower corporate taxes won't help them now.

"It's not clear to me that this is anything that would attract them at this very moment," Park said. "I can't see it happening."

However, other business leaders say lower corporate taxes will garner attention and send out a message the province is serious about attracting investment.

"Will we see a flood of head offices leaving where they are heavily invested in other communities? Probably not. But where we're looking at new investment, suddenly you have an environment that is very attractive," said Canadian Chamber of Commerce CEO Perrin Beatty.

With the change, Alberta's corporate income tax rate is four percentage points lower than in British Columbia and Saskatchewan.



Calgary Economic Development CEO Mary Moran /Jim Wells/Postmedia

Calgary already has a growing fintech sector and existing banking talent, said Calgary Economic Development CEO Mary Moran, noting taxes and talent are both key factors for entrepreneurs looking to set up shop.

"This gives us another tool," Moran said.

The idea of lowering the tax rate supports new capital coming into Alberta and gives the government another selling point for companies looking for new places to operate, added ARC Financial founder Mac Van Wielingen, a member of the premier's economic recovery council.

"If a Toronto firm was looking for expansion and there were other strategic reasons and synergies to contemplate (coming to) Alberta, it's one of those things that can just push them onside," he said.

"It is an important piece of the broader puzzle."

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