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Cost of Calgary-Banff rail service now pegged at $1.5-billion

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A Canadian Pacific railway locomotive pulls train cars east along a rail line past Morant's Curve near Lake Louise in Banff National Park on Nov. 26.

PATRICK T. FALLON/AFP/GETTY IMAGES

More details have emerged on an ambitious proposal to build passenger rail service between Calgary's airport and Banff National Park, with the cost now pegged at about $1.5-billion and a new investment partner added: Plenary Americas, a public-private partnership (P3) developer owned by the giant Caisse de dépôt et placement du Québec.

The project's private booster, Alberta-based Liricon Capital, along with Toronto-based co-developer Plenary, said this week it has submitted an updated proposal on the Calgary-Banff Rail project to the Alberta government and the Canada Infrastructure Bank. The proposal would see part of the capital costs and interest paid back over decades – once the service is actually up and running – by the provincial government, which would pay $30-million a year. The province would eventually own the project, but a yet-to-be-named private entity would build and operate the service.

The bank – a federal Crown corporation that provides low-interest debt and equity investments in federal priority areas such as public transit, transportation and green infrastructure – is prepared to provide a loan for half the $1.5-billion capital cost, said Charles Todd, managing director, investments.

"The overall investment by Alberta is not made until the project is actually up and running," Mr. Todd said in an interview. "The structure we're proposing is pretty low risk to Alberta."

The province hasn't made a final decision about proceeding on the project. Alberta Transportation had no immediate comment on the updated proposal on Tuesday. However, the idea has supporters in the Premier's office and Invest Alberta – the entity created by Jason Kenney to promote the province's energy, tourism, tech, aviation, agriculture and other sectors.

The project would require the twinning of a freight-heavy stretch of Canadian Pacific Railway Ltd. track through downtown Calgary and the Morley reserve of the Stoney Nakoda Nation. Eventually, there would be seven stops along a new dedicated line built within the existing CP corridor, with about 10 departures a day from Calgary's airport to Banff, and a possible service from the airport to downtown Calgary every 15 minutes.

Proponents of the project say construction costs are lower and the timeline is shorter than many big projects because of the existing railway corridor. They also say it will reduce the number of people driving to Banff, lower greenhouse gas emissions and expand and diversify the province's economy through increasing tourism spending. Locals will pay less to ride the train than tourists – the working estimate for an "out-of-market" visitor is that they will pay approximately twice what residents will pay ($40 versus $20) to ride the full route one-way.

However, there are still major questions about the environmental effects of increased rail traffic on wildlife corridors in the Bow Valley, and a consultation with Indigenous communities who have lived alongside the tracks for decades has yet to proceed.

Details on the costs and timelines are also still emerging. According to Liricon managing partner Jan Waterous, the cost that was initially pegged at more than $1-billion is now set at $1.5-billion based on further studies, and including the costs of rolling stock and the potential construction of one overpass in Calgary.

Ms. Waterous has also said service could be up and running as early as 2025. A Calgary-Banff Rail study prepared by consultancy CPCS Transcom said the service could open in "the late 2020s or early 2030s," and "overall, that the service could recover its operating cost is promising but not guaranteed."

Liricon is assuming three million one-way trips a year. The train has the potential to reduce greenhouse gas emission by reducing motor vehicle trips, the study said, but that's not certain.

Liricon is the family holding company of Ms. Waterous and her husband Adam Waterous, prominent Alberta financiers who own the Mount Norquay Ski Resort and hold a long-term lease on the Banff train station. Plenary is an investor, developer and operator of public infrastructure that has been owned by Caisse, Canada's second-largest pension fund, since early 2020.

As envisioned by Liricon and Plenary, half of the $1.5-billion in capital required for the project will be provided by the Canada Infrastructure Bank, with remaining 50 per cent being provided through a combination of debt from private lenders, and from Liricon and Plenary themselves.

Under this proposal, the $30-million annual payments for Alberta's share of the project's capital costs (interest and principal) do not begin until construction is complete, and are contingent on the performance of the train. Liricon and Plenary believe ticket revenues will cover operating and maintenance costs, and more than half the remaining capital costs.

Revenue-risk financing is unusual for a P3 project in Canada, but this is something the Canada Infrastructure Bank was created to facilitate, said Plenary senior vice-president Paul Martin. It's a common way of financing infrastructure projects elsewhere in the world.

"We like the project in and of itself. It's a good size. It's quite large but it's not unmanageably large," Mr. Martin said in an interview.

The infrastructure bank's Mr. Todd said if revenues or ridership for the train are significantly stronger than expected, the $30-million annual payment from the province could be lowered. "Everyone is aligned to the success of the project," he said. If the project goes well, the bank gets paid back, the private investors make money and the Alberta government pays less per year.

The proposal envisions the $30-million to be set as an annual maximum, he said, unless the plan goes horribly wrong – into insolvency.

The private sector is taking the risk if the train doesn't have high ridership, Mr. Todd said. But "in the extreme, that the whole system fails, and there's a lot of people out of a lot of money, it would be up to the government at that point if they wanted to take over and keep running it, and then there would be financial consequences to that."