

**ECONOMIC SUBMISSION TO PUBLIC CONSULTATION**

# Who Benefits? Who Pays? The Economic Case Against the ALTO Southern Corridor for Local Municipalities

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## KEY FINDING

The ALTO southern corridor would impose substantial, quantifiable economic liabilities on every municipality it crosses, while delivering zero station-area benefits to any of them. Under ALTO’s current mandate, no stops are planned between Peterborough and Ottawa. International academic research consistently shows that rural municipalities traversed by HSR without a station experience net economic losses: property tax base erosion, agricultural decline, tourism disruption, and a “siphon effect” that draws investment toward station cities. Every peer-reviewed study that has examined this question reaches the same conclusion. The benefits flow to passengers and station cities. The costs stay local.

## Section 1 — The No-Station Problem

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ALTO’s mandate specifies seven stations along the 1,000 km Toronto–Québec City corridor: Toronto, Peterborough, Ottawa, Montréal, Laval, Trois-Rivières, and Québec City. The southern corridor between Ottawa and Peterborough crosses approximately 200 km of Eastern Ontario through portions of Hastings, Lennox and Addington, Frontenac, and Leeds and Grenville counties, with no station in any of them. Kingston, Eastern Ontario’s largest city, a major healthcare hub, and home to Queen’s University, is not on the station list. The academic literature is clear: the primary channel through which HSR delivers local economic benefits is station-area development (commercial investment, employment growth, property value increases, and improved accessibility that concentrate around stops). Municipalities without a station receive none of these benefits. This is the consistent finding across every jurisdiction that has been studied.

Local elected officials have recognized this immediately. Kingston Mayor Bryan Paterson formally moved that the city would support the southern route only if a station is located in close proximity — and would oppose it otherwise. South Frontenac Mayor Ron Vandewal described the project as offering “very little economic positives” for his township, warning of “generational devastation.” Rideau Lakes council voted unanimously to oppose the southern route. MP Scott Reid warned that both route options “offer little benefit to local residents.” These assessments are consistent with the peer-reviewed evidence.

## Section 2 — What the International Research Shows

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Study	Key Finding for Rural / No-Station Areas	Source
<b>Dallas–Houston HSR (Texas, 2024)</b>	Only counties with terminal stations showed positive economic returns. Rural agricultural counties received less impact than manufacturing counties; most generated more economic spillover to metropolitan areas than they received.	Perez and Palander, Transport Policy (2024)
<b>China County-Level Analysis (2023)</b>	HSR had a long-term negative effect on county-area agglomeration of industrial enterprises. “Siphon effect” drew workforce and investment from smaller to larger cities.	Zhang et al., Land 12(4), 2023
<b>Urban–Rural Income Gap (2023)</b>	HSR introduction had a significantly negative influence on rural residents’ income. The widening wealth gap was driven by declining rural incomes, not rising urban ones.	PMC / PLOS ONE, 2023
<b>Urban–Rural Disparities (2025)</b>	Non-urban areas with HSR stations saw GDP gains of 2,190 RMB/capita — compared to 5,950 in urban areas. Spillover effects to neighbouring areas were not statistically significant.	ScienceDirect, January 2025
<b>European Review (2017)</b>	Outside construction-phase effects, studies found both the existence and absence of local economic impacts. Benefits were highly context-dependent, not automatic.	Crozet, European Transport Research Review (2017)

The consistent pattern across jurisdictions: HSR concentrates economic benefits at station cities and imposes net costs on rural pass-through communities. This is an extensively documented outcome.

## Section 3 — Five Specific Liabilities for Eastern Ontario Municipalities

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### 3.1 Property tax base erosion

As a federal Crown corporation, ALTO’s right-of-way land is constitutionally exempt from municipal property taxation. Payments in Lieu of Taxes are discretionary, not guaranteed, and are frequently lower than what the land would generate as taxable private property. Every acre expropriated comes permanently off the municipal tax roll. For South Frontenac Township, with approximately 10,000 homes generating \$18.5 million in annual tax revenue, the permanent removal of land from the assessment roll reduces revenue while the demand for municipal services (roads, fire, waste management) remains constant or increases during construction.

### 3.2 Municipal road infrastructure costs

HSR construction generates massive volumes of aggregate, concrete, and steel trucking on roads designed for farm equipment and local traffic. The UK’s HS2 project generated over three million construction truck trips, leaving rural roads described by one Member of Parliament as “completely destroyed.” Compensation to UK councils was grossly inadequate. Eastern Ontario’s county and township roads (many subject to spring weight restrictions) would face identical pressures with far less fiscal capacity to absorb the damage.

### 3.3 Tourism revenue loss

The Rideau Heritage Route region’s tourism economy contributes \$695 million in annual GDP and supports 8,744 jobs. Rideau Lakes alone accounts for \$20.7 million in tourism GDP (261 jobs); South Frontenac accounts for \$18.9 million (238 jobs). Multi-year heavy construction through the Frontenac

Arch UNESCO Biosphere Reserve, the region’s primary tourism asset, would directly threaten this revenue through noise, dust, truck traffic, road closures, and degraded scenic landscapes.

### 3.4 Agricultural economic loss

The OFA estimates 12 acres of farmland permanently removed per kilometre of HSR track. In a region where Frontenac County has already lost 15.4% of its cropland between 2011 and 2021, additional land removal reduces both the agricultural tax base and the farm spending that supports local supply chains, equipment dealers, feed mills, and veterinary services. Farm severance where the impassable rail line splits operations in two, can render entire farms unviable, compounding the loss.

### 3.5 Property value blight

From the moment the corridor is publicly identified, property values on affected and nearby parcels decline. Buyers disappear, credit tightens, and farm investment freezes. This blight period effectively began with the January 2026 announcement. If construction does not start for another 5–10 years, municipalities will experience a decade of eroding assessment values and therefore eroding tax revenue before a single track is laid.

## Section 4 – On Construction Jobs

ALTO has cited a project-wide estimate of approximately 50,000 skilled trades jobs. However, this figure covers the entire 1,000 km corridor. The share of employment that would land in any given rural township is small, temporary, and largely filled by specialized workers brought in from elsewhere rather than by local labour forces. The academic literature confirms construction-phase employment as a real but temporary benefit, and notes that spending typically leaks to metropolitan supply chains rather than staying in rural communities. The Texas study found that rural agricultural counties received the least construction economic impact of any county type. Temporary construction employment does not offset permanent property tax losses, permanent farmland removal, permanent tourism landscape degradation, and permanent severance of farm operations.

## Section 5 – The Fundamental Asymmetry

ALTO’s own consultation materials describe the southern route as passing through “agricultural and resort areas” with “more valuable farmland and suburban lots.” The route is preferred because agricultural land is cheaper and easier to build on than Canadian Shield granite. The construction cost savings are captured by the project and its station cities; the costs are borne by rural communities that will never board the train.

Benefits (Captured by Station Cities)	Costs (Borne by Pass-Through Municipalities)
Station-area commercial development	Property tax base erosion (land permanently off tax roll)
Employment growth around stations	Municipal road destruction from construction truck traffic
Property value increases near stops	Property value blight for affected parcels
Improved intercity accessibility	Tourism revenue loss during multi-year construction
Reduced highway congestion	Permanent farmland removal and farm severance
Greenhouse gas emission reductions	Drainage disruption, livestock stress, crop loss
National economic productivity gains	Decade of uncertainty before construction begins

### **ALTO's CEO confirms: ticket price unknown, operational profitability asserted without basis**

The asymmetry this submission documents — costs borne locally, benefits flowing to station cities and passengers — rests on an assumption that the project will generate sufficient revenue to be operationally self-sustaining. On CBC Ottawa Morning on March 25, 2026, ALTO CEO Martin Imbleau was asked directly how much a ticket would cost. He replied: “We don’t know for sure... I don’t know yet.” When pressed specifically on the Montréal to Ottawa fare: “I don’t know.”

In the same interview, Imbleau asserted that operations would be profitable: “When you look at the forecast and the operation cost that we have a feeling with today, definitely it’s going to be profitable from an operation standpoint. No doubt.” This assertion was made without knowing the ticket price, without publishing the demand model, and without disclosing how the 24 million passenger projection was derived. The government’s own December 2021 business case, released under access to information, found the cheaper HFR predecessor had a net present value of –\$21.1 billion over 30 years. No replacement business case for the ALTO specification has been published.

The question of who benefits and who pays cannot be answered without knowing what the service will cost to use. If fares are set high enough to approach operational viability, the “benefit” side of the asymmetry narrows: a \$200–400 Montréal–Toronto ticket does not serve the agricultural and rural communities along the southern corridor who never board. If fares are set low enough to attract the projected 24 million passengers, the operational subsidy required widens, and the costs shift permanently onto the public. Either way, the rural municipalities bearing construction costs, land tax exemptions, and assessment decline receive none of the passenger benefit. The CEO’s admission that the ticket price is unknown is not a minor gap — it is the central missing input in the project’s financial case.

*Source: CBC Ottawa Morning, March 25, 2026. [cbc.ca/listen/live-radio/1-100-ottawa-morning/clip/16205093](https://cbc.ca/listen/live-radio/1-100-ottawa-morning/clip/16205093)*

## **Section 6 – Formal Requests**

**1**

### **Commission an independent per-municipality net fiscal impact analysis**

ALTO must commission and publicly release an independent economic impact assessment, conducted by municipalities and not by the proponent, quantifying the net fiscal impact on each affected township before route selection. Aggregate national or corridor-level benefit-cost ratios that do not disaggregate to the municipal level are insufficient for this purpose.

**2**

### **Establish binding community impact agreements with legislated PILT obligations**

Payments in Lieu of Taxes on all expropriated land must be legislated at full municipal tax rates, not discretionary. A binding community impact agreement must provide upfront municipal compensation for road damage, tax base erosion, and tourism losses, funded before construction begins, not after.

**3**

### **Publish a high-performance rail alternative assessment**

Before committing to 300 km/h HSR through agricultural land, ALTO must publish an independent assessment of whether a 200 km/h service using existing or modified corridors, with or without freight diversion, could deliver most transportation benefits without the rural economic devastation of a fully dedicated line, including the elimination of the farm severance problem.

## Key Sources

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Perez and Palander. "Can rural counties benefit from high-speed rail investments? The distributive economic impacts of constructing the Dallas-Houston line." *Transport Policy* (2024).

Zhang et al. "The Impact of High-Speed Rail on Economic Development: A County-Level Analysis." *Land* 12(4), 2023.

PMC / PLOS ONE. "Impact of the introduction of high-speed rail on the income gap between urban and rural residents." 2023.

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Cohen. "Economic Impacts of High-Speed Rail: A Review." *Mineta Transportation Institute*, 2024.

Canada.ca. Understanding payments in lieu of taxes. Federal Crown corporations constitutionally exempt from property tax; PILT payments are discretionary.

BDO Canada / RHRTA. Rideau Heritage Route Tourism Association Tourism Economic Impact Study, November 2017. Regional tourism: \$695M GDP, 8,744 jobs.

Ontario Federation of Agriculture (OFA). High-Speed Rail policy position. 12 acres farmland removed per kilometre. OMAFRA County Profiles / Statistics Canada Census of Agriculture 2021. Frontenac: 538 farms, -15.4% cropland (2011-21).

South Frontenac: ~10,000 homes, \$18.5M annual tax levy. *Frontenac News*, January 2018.

Kingston Mayor Bryan Paterson, Notice of Motion, February 17, 2026. City will support southern route only with a Kingston station.