POLICY BRIEF

The Freight Dividend and the Vanishing Train

How Alto's Freight Report Prices In the Reduction of Kingston Subdivision Passenger Service

Companion to "VIA Rail on the Kingston Subdivision: Service Erosion, Funding Collapse, and the National Rail Risk from ALTO HSR" (April 2026)

EXECUTIVE SUMMARY

A freight report published by Alto in June 2026 (*High-Speed Rail and Freight Capacity: Potential Freight Benefits of Alto*, prepared by CPCS in association with HDR) builds its central economic case on a single mechanism: reducing the number of passenger trains on the shared CN Kingston Subdivision to free capacity for freight. In doing so, Alto's own commissioned evidence confirms the structural finding of this Initiative's April 2026 brief: that the project's benefits depend on a contraction of intercity passenger service between Toronto and Montréal.

The report states plainly that the freight benefit arises "by lowering passenger traffic on the shared corridor," and that the avoided-investment benefit "would be shared between passenger and freight, depending on the level of passenger rail services that may be maintained on the CN corridor." In the report's own logic, the freight dividend grows as passenger service shrinks. It even identifies the "uncertainty of the future of passenger rail" as a signal that could make the corridor more attractive for freight-oriented industrial development.

At the same time, the report disclaims any intent to discontinue local rail, describing residual passenger service as "local offerings supporting and connecting to the high-speed backbone." That framing recasts the Kingston Subdivision's current intercity trains as a feeder role, and its existing passenger paths as capacity to be reclaimed. The report never says who would decide how much of that service survives. Under the project's public-private structure, the party positioned to make that decision is Alto's own development partner, the Cadence consortium, which is also slated to operate the corridor's existing passenger trains. Its interest does not lie in freight, which it neither runs nor earns from, but in Alto: every traveller kept on a cheaper conventional train is one Alto's ridership forecasts — 24 million passengers a year by 2055, **roughly eight times what the corridor carries today** — assume for themselves. This brief documents that contradiction, sets out plainly who gains from acting on it, and traces the implications for the ten lakeshore communities named in the April brief.

1. What the Freight Report Claims

The report's stated purpose is to show how Alto could "generate economic and strategic benefits for freight rail by lowering passenger traffic on the shared corridor." It documents that the Toronto–Montréal segment runs on CN-owned track with a passenger-to-freight mix "close to 50-50," and that passenger trains "consume more track capacity than freight trains" because of higher speeds and precise scheduling. From this, it assembles a set of claimed benefits:

- **Deferred or avoided capital investment** in the CN corridor that would otherwise be needed to accommodate freight growth;
- **A planning target to "protect for" 55% higher freight volumes** over 30 years — built from ~1.0% assumed annual growth (34% over 30 years) plus a discretionary "capacity buffer" for demand spikes;
- **Induced freight demand and mode shift**, including potential renewed trailer-on-flatcar service, as passenger conflicts on the CN line are reduced;
- **New rail-adjacent industrial development** along the corridor;
- **Strategic resilience and "option value"**, plus an estimated ~$90 million per year in avoided societal costs from shifting a single daily intermodal train off Highway 401.

2. The Mechanism Is the Removal of Passenger Trains

Every one of those benefits flows from the same source. The report is explicit that the enabling condition is fewer passenger trains on the shared corridor:

> *"Concurrently, the number of passenger trains running on the shared corridors is expected to reduce, relieving capacity for freight demand which is expected to grow."*
>
> High-Speed Rail and Freight Capacity, p. 18

The most consequential sentence appears in the benefits discussion, where the report ties the magnitude of the avoided-investment benefit directly to how much passenger service is cut:

> *"This benefit would be shared between passenger and freight, depending on the level of passenger rail services that may be maintained on the CN corridor."*
>
> High-Speed Rail and Freight Capacity, p. 19

Read plainly: the fewer passenger paths retained on the Kingston Subdivision, the larger the freight benefit Alto can claim. The report then goes further, treating the retreat of passenger rail as an inducement to development:

> *"It is plausible that the existence of the shared corridor — and the uncertainty of the future of passenger rail — has been a deterrent to industrial development … reducing the volume of passenger trains on the CN corridor may be a signal to industry that increases the desirability of rail-adjacent parcels."*
>
> High-Speed Rail and Freight Capacity, p. 19

3. The Contradiction in Alto's Own Evidence

The same report opens with a disclaimer that appears designed to blunt exactly the reading above:

> *"The future introduction of Alto is not assumed to result in the discontinuation of local passenger rail services … with local offerings supporting and connecting to the high-speed backbone … the realized outcomes will depend on the eventual configuration of passenger services in the corridor."*
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> High-Speed Rail and Freight Capacity, p. 5

These two positions cannot both hold at full strength. The freight benefit is defined as the capacity released by removing passenger trains; the disclaimer promises that passenger trains will not be removed. The report resolves the tension only with soft language — "indicative capacity effects," "optimization of service patterns," "integration" — and by recasting intercity trains as "local offerings" feeding the high-speed line. What is described as complementarity is, in the benefit calculation, substitution.

Notably, the report offers no minimum service commitment for the Kingston Subdivision, no protected frequency, and no floor below which the "optimization" would not proceed. The only variable that maximizes the headline freight benefit is a reduction in passenger service.

4. What This Implies for the Kingston Subdivision

This Initiative's April 2026 brief argued — from Transport Canada's own transfer language, the September 2025 non-stop express pilot, and VIA Rail's revenue structure — that Alto would foreseeably erode passenger service on the Kingston Subdivision. The freight report now supplies the missing piece from Alto's own side of the ledger: a business case in which that erosion is not a risk to be managed but a source of value to be captured.

The report leaves one variable deliberately open — how much passenger service is "maintained on the CN corridor" — but is silent on who decides it. Under the project's structure, that omission matters. Alto is being delivered as a public-private partnership in which the Cadence consortium is contracted to design, build, finance, operate, and maintain the high-speed line. The procurement also contemplated the consortium taking over the corridor's existing intercity services (designated the "Local Services") as feeders to that line. The party positioned to set the level of Kingston Subdivision passenger service is therefore not a disinterested operator but Alto's own development partner. What remains for VIA Rail on the corridor, on this trajectory, is a diminished residual role operated between freight trains on track it does not own — a degradation already underway, with corridor on-time performance falling to 30% in early 2025 from 72% a year earlier, a figure the freight report itself records.

Why would the party that controls the corridor want fewer passenger trains running on it? Freight is part of the answer, but not the whole of it. CN, the freight railway, does gain — it avoids the spending it would otherwise need to expand its own line, which is the report's central claim. But CN does not decide how much VIA service survives, and Cadence, the consortium that is positioned to, runs no freight and earns nothing from it; its stake is in Alto. So the pressure to thin VIA's service comes not from freight alone, but from four interests the report keeps in the background:

- **Alto's ridership depends on it.** Cadence is paid to fill Alto, whose business case rests on very high ridership: a headline target of 24 million passengers a year by 2055 — roughly eight times the three million or so the corridor carries today. The only independent modelling of the route, from the University of Toronto's Munk School, projects about 9 to 10 million; a reference-class adjustment for the roughly 65% overstatement typical of rail forecasts lands near 8 million. Because Cadence will run as a single concessionaire with no open-access competition, it has every reason to price for yield rather than volume — which makes a cheaper conventional train on the same corridor competition to be minimized, not preserved.
- **It makes the case for building Alto look better.** The report's headline "avoided investment" benefit is explicitly larger the more passenger service is cut, inflating the benefit-cost ratio used to justify the project — the very project that gives the consortium's contract its reason to exist.
- **It lowers the subsidy the government pays.** VIA Rail's Toronto–Montréal corridor service ran an operating shortfall of about $117 million in 2025 — roughly $50 of public subsidy for every passenger carried, at a corridor cost-recovery ratio near two-thirds (VIA Rail, 2025 Annual Report). Shrinking that service, or folding it into the Alto concession, reduces what the federal funder pays; the party deciding the corridor's future is also the party writing that cheque.
- **It sheds the cost of using CN's track.** Passenger trains on the Kingston Subdivision run on CN-owned track under access and cost-sharing arrangements — including, as the report itself notes, payments to CN to maintain track at speeds suitable for passenger service. Moving intercity trains onto Alto's dedicated line sheds those payments.

The gains, in short, flow to Cadence (a filled high-speed line and a stronger business case), to CN (avoided expansion), and to the federal treasury (lower subsidy and lower access costs). VIA Rail — and the passengers between Toronto and Montréal — bear the loss.

Three implications follow for the communities of Oshawa, Cobourg–Port Hope, Trenton Junction, Belleville, Napanee, Kingston, Gananoque, Brockville, Cornwall, and Dorval:

- **Corroboration from the proponent.** The prediction of passenger-service contraction no longer rests only on critics or on inference; it is embedded in the economics Alto commissioned and published.
- **Reclassification of the service.** Reframing Kingston Subdivision intercity trains as "local offerings" that "connect to the high-speed backbone" signals a feeder-and-shuttle future, not the primary intercity link these communities depend on — none of which, except Dorval, has a viable airport.

– **A loss these communities cannot replace.** Alto's alignment runs inland through Peterborough and Ottawa, not along the lakeshore, so Cobourg, Belleville, Kingston, Brockville and Cornwall are bypassed entirely. If their conventional service is reduced to a feeder shuttle, the high-speed line does not replace it — and, apart from Dorval, none of these communities has a viable airport.

Key Findings

FINDING 1 | TIER 1

The freight benefit is mechanically the removal of passenger trains.

Alto's freight report defines its central benefit as capacity released "by lowering passenger traffic on the shared corridor." The Toronto–Montréal CN line, currently about 50-50 passenger-freight, is the corridor in question — the same Kingston Subdivision that serves Eastern Ontario's lakeshore communities.

FINDING 2 | TIER 1

The size of the freight benefit is conditioned on cutting passenger service.

The report states the avoided-investment benefit "would be shared between passenger and freight, depending on the level of passenger rail services that may be maintained on the CN corridor." This makes reduced passenger service the lever that maximizes the claimed benefit.

FINDING 3 | TIER 2

The "no discontinuation" disclaimer contradicts the benefit mechanism.

The report promises local rail will continue as an "integrated" feeder to the high-speed line, yet its benefit arithmetic requires removing passenger paths. The contradiction is bridged only by soft language and by recasting intercity trains as "local offerings." No minimum service level is committed.

FINDING 4 | TIER 2

The operator set to control passenger service is Alto's own partner.

Under the project's public-private structure, the corridor's existing passenger operations — the procurement's "Local Services" — are slated to transfer to the Cadence consortium, Alto's development partner. The party positioned to set how much Kingston Subdivision service survives is thus the same interest whose high-speed line competes with that service for passengers — and whose business case the report says improves as the service is cut.

The Risk to VIA Rail

The freight report is, in one respect, correct: separating passenger and freight traffic on the Toronto–Montréal corridor would relieve the mixed-traffic conflict that degrades both services. That is the genuine freight dividend. The unanswered questions are who captures it, who operates what remains, and at what cost to the passengers between Toronto and Montréal.

What Alto describes is two passenger railways on one corridor. A dedicated high-speed line, built and operated by the private Cadence consortium, would carry the fast intercity market. What remains on the Kingston Subdivision — the trains that serve Oshawa through Cornwall — is left as a residual “local” service, running between freight trains on CN-owned track, with no committed frequency and no protected floor. Under the project’s public-private structure, even that residual service is not assured to remain with VIA Rail: the existing corridor passenger operations, designated the “Local Services” in the procurement, are slated to pass to the same Cadence consortium as feeders to the high-speed line. The party positioned to decide how much Kingston Subdivision passenger service survives would therefore be the operator of the very line that competes with it for passengers — a line whose ridership targets Cadence is paid to hit, and whose business case, on the report’s own logic, improves as that service is cut. This is not a distant hypothetical. VIA Rail’s corridor on-time performance has already collapsed — from 72% to 30% inside a single year, per the figures the freight report itself cites — as passenger trains are squeezed on infrastructure the operator does not control.

The stakes extend well beyond the Kingston Subdivision. The Quebec City–Windsor corridor is the financial engine of VIA Rail’s entire national network: it accounts for about 80% of the corporation’s revenue (VIA Rail, 2025 Annual Report). That revenue helps sustain the long-distance and regional trains that connect the rest of the country — from Vancouver and Prince Rupert to the Prairies, Churchill, and the Maritimes. Divert the corridor’s ridership and revenue to a private concession, and VIA is left, as the federal NDP’s transport critic warned when Alto was announced, with a fraction of the funds it uses to run rail across the country — a national erosion set in motion by a decision taken on a single corridor (CBC News, 19 February 2025).

Accordingly, the demands set out in the April 2026 brief stand reinforced by Alto’s own evidence: a statutory minimum-service guarantee for the Kingston Subdivision; dedicated, ring-fenced funding for VIA Rail’s national network, independent of high-speed corridor revenue; corridor passenger operations kept in public hands rather than folded into the private concession as “Local Services”; rejection of the non-stop express substitution model; and committed investment in the existing line. The freight report should be read into the public record as the proponent’s own acknowledgement that, absent such protections, passenger service between Toronto and Montréal is expected to contract — and that the party positioned to manage that contraction is the same one that profits from it.

Primary Sources

- *High-Speed Rail and Freight Capacity: Potential Freight Benefits of Alto*
- *VIA Rail on the Kingston Subdivision: Service Erosion, Funding Collapse, and the National Rail Risk from ALTO HSR* (April 2026). ALTO HSR Citizen Research Initiative.
- *Tourism in the Alto Corridor* (June 2026) and *An Overview of the Structural Economic Impacts of Alto* (Aviseo, June 2026) — companion Alto-commissioned reports.
- On the operating model and the transfer of corridor "Local Services" to the private consortium: Government of Canada, "Canada is getting high-speed rail" (news release, 19 February 2025) — Cadence "selected to not only co-design and build, but also to finance, operate, and maintain this project"; Transport Action Canada, "Cadence wins $3.9B High-Speed Rail development contract" (2025), noting the consortium is to take over existing corridor services as the RFP's "Local Services"; and industry coverage describing a residual, diminished VIA Rail operating local services between freight trains on the existing right-of-way.
- On the incentives to reduce passenger service: this Initiative's ridership analysis, setting Alto's stated targets of 24 million passengers by 2055 and 43 million by 2084 against the corridor's current ridership of roughly three million, the University of Toronto Munk School (Global Economic Policy Lab) independent projection of about 9 to 10 million, and the reference-class forecasting literature (Flyvbjerg) finding rail ridership overstated by an average of 65%; VIA Rail's 2025 Annual Report, reporting a Toronto–Montréal corridor operating shortfall of roughly $117 million, per-passenger subsidy of about $50, and corridor cost recovery near two-thirds; and the freight report's own acknowledgement (p. 11) that cost-sharing agreements compensate CN for maintaining track at passenger speeds.
- On the national-network risk: A. Kurjata, "NDP warns privatizing high-speed rail from Toronto to Quebec could kill passenger trains in rest of Canada," CBC News (19 February 2025) — the Quebec City–Windsor corridor as roughly 80% of VIA Rail's revenue, and MP Taylor Bachrach's warning on the cross-subsidy of national service.

ALTO HSR CITIZEN RESEARCH INITIATIVE
An independent, non-partisan citizen research project examining the Alto proposal in the public interest.