

Greetings Ladies and Gentlemen,

First, a word of thanks for inviting me to share with you the issues and challenges of the passenger train as they currently exist in 2010.

I would also like to acknowledge the presence of VIA's accountants and, in particular, executive members Steve Del Bosco, Chief Marketing and Sales Officer, along with Robert St-Jean, Chief Financial and Administration Officer, or if you prefer, our Chief Accountant!

As Mr. Régnier just pointed out, this is where I was born and, for me, boarding a train to Québec City is like returning to my roots.

I would also like to take this opportunity to highlight the 75<sup>th</sup> anniversary of the Regroupement des comptables agréés du Québec, and the 130<sup>th</sup> anniversary of the Ordre des comptables agréés du Québec.

It is always rewarding to brush shoulders with professionals who belong to a longstanding tradition. Several accountants have left their mark on history in this country.

Moreover, I commend the merits of the distinguished accountant that you will be paying tribute to this evening, Mr. Laurent Beaudoin, Chairman of the Board at Bombardier, by mentioning to him that he is not only an inspiration to accountants, but to everyone in this country.

When it comes to tradition in the world of trains, we can certainly hold our own. As you are aware, Canada was practically founded upon the construction of the railway, and our rail system continues to play a vital role in the Canadian economy.

Of course, VIA's history is more recent, having only existed for 33 years. In fact, it was back in 1977 that the Government of Canada created an independent Crown corporation responsible for providing Canadians with passenger services from coast to coast.

Before going any further, however, I will invite you all to climb aboard for the next few minutes and experience VIA Rail!

It sparks the imagination, doesn't it? Imagine what it's like when you are actually there!

For the next several minutes, I propose taking you along a four-stopover journey: first, I will paint a brief portrait of VIA. Next, I will attempt to identify for you the main issues and challenges regarding passenger transportation in Canada and throughout the world. Thirdly, we will take a look at how VIA strives to meet these challenges and, in closing, I will discuss the future of passenger rail in both Québec and Canada.

### **VIA in a Nutshell**

VIA's profile is far from complicated.

We operate a national passenger rail transportation service from coast to coast. Every week, close to 500 of our trains travel across 12,500 kilometres of track. Just to give you a hint as to the magnitude of the network, 12,500 kilometres of track is more than double the distance between Québec and Paris!

We provide service to nearly 450 communities and, every year, over 4 million passengers travel with VIA Rail, sometimes even over long distances.

Now a word on the financial results, which I know you've been dying to hear.

In 2009, our annual operating revenues were situated at 250 million, a decrease of 13% compared to the previous year. This decline can be directly attributed to the economic crisis of 2008, and the recession which ensued in 2009.

The year 2010 does look brighter but, just like the overall economic recovery curve, ours is gaining momentum slowly . . . but surely.

Our revenues cover more than 50% of our operating costs. Federal subsidies cover the rest.

To better illustrate this, consider the following: some of our routes cover almost 100% of their direct costs. Such is the case for our busy corridor between Québec and Ontario. Inversely, other routes, particularly those that serve remote regions in which we are specifically mandated to operate, cover only a small fraction of their direct cost.

Last year, our trains traveled more than 1.5 billion seat-miles and reached an on-time performance rate of 83%. To the chagrin of my Chief Operating Officer, I hope to round off this number to at least 90%!

And we're on the right track!

Finally, VIA employs just over 3,000 people who work:

- on board our trains
- in the four maintenance centres in Montréal, Toronto, Winnipeg and Vancouver,  
and
- at our Montréal headquarters.

## The Three Purposes behind VIA

To fully understand VIA, we must understand the reality that surrounds the company's evolution: we follow three purposes, or three mandates:

1. Providing transport for the large urban centers
2. Contributing to Canada's tourism industry, and
3. Serving certain remote regions.

You are probably all familiar with our first mandate, that of ensuring downtown-to-downtown services between the major business centres in Canada. In the Eastern part of the country, this is accomplished through what we refer to as the "Québec-Ontario corridor".

Our second mandate is to contribute to Canada's tourism industry through two services, one to the West, the other to the Maritimes. The best-known route is that of our legendary transcontinental train, *The Canadian*, which embarks on its expedition three times a week from Toronto to Vancouver.

Lastly, our third mandate is to operate services designated by the Government of Canada to meet essential transportation needs in remote or isolated regions.

Being accountants, you can see right away that each of these mandates has an impact on budgets and funding modes.

As a public service company, we have obligations that can never satisfy profitability criteria.

Such is the case with our obligation to serve certain remote communities. Our corporate duty in these types of situations is to manage in a thorough manner, while keeping our costs under control as much as possible.

Moreover, when it comes to our business affairs, we must perform along the same vein as private enterprise. And I must tell you that, for the past few years, we have made substantial achievements in this area.

This means that over the past 10 years, when we refer solely to VIA's operating division, we have reduced our financial dependence on the government by 44%, while managing to increase our sales by 85%.

As you can see, we are on the right track – to coin an expression you hear quite often at VIA.

There is no need to clarify that this performance is a direct result of the dedication, passion and abilities of our employees. The formula may seem worn out but it remains true nonetheless! There is something remarkable about the people who work at VIA. I can assure you that it shows up every day in their work, and management knows that it can depend on them. That wraps up this brief portrait. Let's move on now to the main issues and challenges that exist for passenger trains in Canada and around the world.

## **2. Transportation Challenges and Issues, in Canada and around the World**

Just as you might suspect, the problems differ vastly from one country to the next, especially from one continent to the next. Certain European countries enjoy a railway system that, to us North Americans, is quite close in nature to a subway system, with passenger trains travelling everywhere, to the far corners of their territory.

In other regions of the world, such as emerging countries, it is quite the opposite: the network has deteriorated, requirements are substantial, and new infrastructure must be built rapidly in order to serve cities that are in full-scale economic expansion. Such is the case in China and India, for example.

In fact, the Canadian reality is far more indicative of that in the United States, which does not deter us from staying on top of the latest industry trends throughout the world while actively participating in all of the global forums focussing on the issue.

Moreover, just last May in Germany, Canada chaired the *2010 International Transport Forum*. This forum focussed on innovation in transportation and brought together representatives from 52 countries, with over 800 participants, primarily ministers responsible for transportation, managers, experts and researchers.

My time here this afternoon does not allow me to delve into an overview of the various global passenger transportation problems. But there is one common, universal fact which is very encouraging for companies such as VIA: throughout the world, passenger train indicators are on the rise, not outrageously so, but rising all the same.

And Canada will not be left at the starting gate. Its own future looks very promising.

I particularly concur with a broad study conducted last year by the Canadian Urban Transit Association among 275 Canadian companies, all of which are linked to the transportation community. This study, known as *Vision 2040*, is opening up avenues for us.

Among other things, we have learned that:

- by 2040, the Canadian population is expected to grow from 33 million to over 40 million;
- our society will have become quite different, as you can imagine, with more densely populated cities, an aging population, an ever-present immigration, as well as ever-changing lifestyles;
- the small cities and rural areas will see a further decline in their populations;

- people's mobility will become a major issue;
- traffic congestion will continue to increase;
- uncertainty around the future of energy will be greater than today;
- we will have made significant progress with respect to environmental protection, but several significant challenges will still need to be overcome;
- support from the population for sustainable policies and practices will increase;
- and that all of this will guide us to a society that will favour public transportation.

From this perspective, "if the trend continues", as Bernard Derome would say, the train is poised to become a hot alternative commodity in the 21<sup>st</sup> Century.

In fact, this vision for 2040 anticipates:

- a more vibrant society...
- in tune with community values...
- more focussed on sustainable development...
- more open to community life...
- and more open to public transportation.

### **3. VIA's Answer to these Challenges**

I need not even mention to you that projections of this nature propel me each and every morning when I arrive at my office. VIA is not unlike a team of accountants: there will always be a need for it!

Obviously, you can just imagine how the entire VIA team goes on "challenge" mode every day, to gear up this passenger train of tomorrow without, of course, forgetting our clients of today.

We achieve this by working on two plans:

1. the upgrading of certain capital
2. new business strategy with six defined priorities.

Allow me to briefly describe these intentions, starting with our capital.

### **Capital Investments**

Over the next three years, almost one billion dollars will have been invested in the passenger rail network in Canada. This signifies an unprecedented infusion of capital, given that the government has not invested this much money since our founding in the 70s.

Moreover, I emphasize the active role that Canada's Department of Transport has played in these issues, especially the interest shown by Minister of State Merrifield, MP for Alberta. I also take this opportunity to acknowledge the Honourable Chuck Strahl, our new Minister of Transport, Infrastructure and Communities, who took on this position last month.

Thanks to these investments, we can now rely on more rapid, more efficient and less energy-consuming locomotives.

We will also be able to provide more appealing, comfortable, new passenger cars. As regards traffic, we will be able to reconfigure certain infrastructures, to allow us to avoid the bottlenecks in the Montréal – Ottawa – Toronto triangle. In short, these investments will allow us to increase our capacity to better serve the public, through more rapid, frequent routes.



We are also working on breathing new life into the stations to make them more appealing and efficient. You are somewhat spoiled in Québec City: the Gare du Palais is undoubtedly one of the most beautiful stations in Canada.

We are also very active on the information technology front to make our trips more productive. We will soon embark on the implementation of a new wireless Internet system . . . or WiFi . . . far more high-performing and capable than the current system. In fact, it will be the fastest and most powerful system on steel wheels!

The implementation of this new solution, which will ensure better coverage than any other product of its kind in the public transportation market, should be completed by late 2011.

But this is about far more than just capital.

## **Business Strategy**

As I mentioned to you earlier, we are equipped with a business strategy defined by six priorities, beginning with a customer promise that seeks to make a difference in service.

We are striving to improve the customer experience even before they come on board. Soon, e-tickets will be available on your smart phone. You will also be able to fill in your preferences in your VIA profile to ensure a personalized service after boarding: your favourite drink will be waiting at your seat, for example! The idea is to make life even easier for passengers!

When you travel in First Class with VIA, you know that you are dining off of porcelain dishes and you are sipping your Bordeaux from a real glass. The airlines tossed these out the window a long time ago!

**Second strategy:** growth.

We expect to corner the public transportation market, namely to post growth that towers above occupancy indicators for public transportation in Canada.

We will achieve this:

- by honing our marketing strategies
- by aligning our fares with various other competitive offers
- by rewarding our loyal customers, and
- by entering into strategic partnerships to expand our service offer.

Speaking of strategic partnerships, just 15 days ago at the Gare du Palais, I announced a partnership with Communauto. For those of you who are not familiar with this organization, they provide a self-serve public fleet of vehicles to over 21,000 subscribers.

We now offer a substantial discount to all our customers when they reserve a Québec City-Montréal train ticket and a car from the Communauto Internet site.

For example, these people can take the train to Montréal, hop in their Communauto vehicle at the Central Station, return it to the same spot the following day, and get back on board the train for Québec City, all for just 99 dollars, including train, car, gas, insurance... and fun! What more could you ask for?

**Third strategy:** we will work on improving our efficiency, further reducing our costs, seizing new business opportunities and investing in new technologies.

**Fourth strategy:** we will pursue our tradition of ensuring the highest level of safety possible for our customers, employees and the general public, while making provisions for and handling emergencies.

Our **fifth** strategy concerns our employees. We put forth great efforts in creating a stimulating work environment that fosters commitment to the success of the company.

We are now able to rely on an intranet network that allows employees easy access to all kinds of information. As you know, managing a company that stretches from the Atlantic to the Pacific, with a group of employees who is constantly on the move, is no easy feat.

As a result, even the on-board officers on our trains will soon be equipped with smart phones for instant sharing of information and data.

**Last but not least, our sixth strategy:** we extend a great deal of effort towards reducing the environmental effects of our operations, because we know that this is one of the driving factors behind why, more and more, Canadians will adopt the train as a practical and comfortable mode of travel.

Along this vein, we invest in several green technologies, we promote green practices and we boast a very strict environmental risk management program.

As you can see, we are going full steam ahead in preparing the future of the passenger train!

### **One note to mention: the high-speed train (HST) file**

Since we've brought up the future, I cannot go without mentioning the Québec-Ontario HST, another file that interests many people, including your popular Mayor Labeaume, for those of you who live in Québec City.

This file has been popping up in Canadian current events every now and then – for a good forty years I might add.

Indeed, it resurfaced recently with the American strategy for recovering from the crisis, when the *American Recovery and Reinvestment Act of 2009* was adopted under the Obama Administration.

Among the many measures planned to relieve the American economy, President Obama did not miss the train, nor the HST in particular. He announced, for example:

- 8 billion for the implementation of a better intercity network, placing a priority on high-speed trains,
- 6.9 billion for the construction of new transportation equipment,
- 1.3 billion for Amtrak, the company that manages passenger transportation in the United States,
- 100 million to assist public transportation agencies,
- 750 million for the construction of new tracks, and finally,
- 750 millions to maintain the network.

Clearly, it is still too early to know if these major projects will have an impact on Canada, or whether they could tie in with Canadian projects.

In short, as a VIA Rail manager, you can appreciate that I would be overstepping my boundaries by providing you with my opinion on whether an HST is necessary or feasible in Canada.

This decision is best left to society, albeit politics, and it is again the political level that will connect the necessary dots should the Americans wish to provide access to Canadian territory, for example, through an eventual Québec City – New York HST.

My role in these discussions is more to provide technical advice when asked.

However, it is important to know that, when we talk about the HST, we're referring to a secondary railway network solely dedicated to the HST.

In all countries operating this type of train, the two networks co-exist, each with a very specific vocation.

This means that an HST would run in tandem alongside the current network, not replace it.

I wish to specify, however, that VIA will be equipped to operate such a system if the project were to come to life.

#### **4. VIA, the Smartest Way to Travel**

In closing, I hope you'll bear with me as I use this forum to defend the passenger train. That's my little pitch for the day.

I do so because I sincerely believe in it and, like me, you are all busy professionals! But you don't always have time to look at other alternatives to your everyday habits - I will therefore use this opportunity to my advantage!

At some time or another, all professionals travel long distances. This is the norm, we are in Canada and distances constantly remind us of this factor.

The problem is that habits take root, and the more you use your car or take the plane for your major travel, the less likely you are to examine other alternatives.

My pitch is comprised of four shocking arguments that just might succeed in rattling your comfort zone as an automobile driver.

First argument: **safety**.

This is silly to mention but it's evidence of monstrous proportions: when we compare the road balance sheet to the railway balance sheet, the figures speak for themselves. Every day, an

average of eight Canadians lose their lives on the roads. The railway is far removed from this reality!

Second argument: **the environment.**

Earlier I touched upon our efforts to render cleaner-running operations. That being said, rail travel is one of the highest performing modes of transportation on an environmental scale.

Just to give you an idea, the entire transportation sector in Canada generates 27% of all the greenhouse gas emissions emitted in the country. In real terms, this represents 200,000 kilotonnes per year, one of the highest per capita levels in the world.

Keeping that in mind, 84% of the emissions stem from road transport. In fact, a mere 3% of greenhouse gases can be attributed to railway, freight and passenger services combined. You can clearly see that each time you take the train, you're saving a small piece of the planet. And... to paraphrase Bombardier in one of its communications: "The climate is right for trains." It think it is equally fair to say that trains are right for the climate.

**Third argument: The beauty – in every sense – of traveling!**

Let me call upon your memory...

Try to remember the last time you took a vacation...

According to you, when did the vacation really begin? While running for the airplane? While standing endlessly in line for security? While stuck in construction traffic on the 132?

With VIA, your vacation starts as soon as you step on board! And if you happen to be traveling on business, you still get to enjoy a small vacation on a train for a few hours.

Don't you feel a certain peace of mind settling in when you travel by train? We feel pampered, don't we?

Personally, I find it almost therapeutic to sit and watch the scenery roll by so peacefully.

The best way to witness this "calming phenomenon" is to look at children. What happens when children board trains? They glue themselves to the window, riveted, often until the end of the trip. On a train, we seldom hear a child crying. In fact, it's the very opposite! We see them marvelling at the scenery and laughing with friends at everything there is to see!

**Fourth and final argument:** Every minute onboard belongs to you

- You have all the space you need to work: a table, a connection outlet for your portable computer, Wi-Fi, etc. By the time you reach your destination, you will have had time to read your e-mails, take some notes, go over your presentation... In short, you can use every minute to work and to settle everything before your trip is over.
- But there are other ways to spend your time if you can no longer stand the sight of a worksheet! You can sit back and enjoy a good movie, or catch up on your reading while savouring a delicious meal! Why not take a nap and arrive at your destination refreshed and ready to go?
- See? The train lets you maximize every minute of your trip, any way you want. Can you honestly say that you enjoy as much freedom using an alternative mode of transportation?

---

## Conclusion

In closing, I would like to dispel a myth about the passenger train, that the train is slower, more complicated, and less efficient than the car or airplane.

Compared to the airplane, I must inform you that we are on an extremely competitive level with domestic flights, especially since the September 11th attacks.

Safety precautions have downgraded service in airports, and the train serves as an excellent alternative for destinations such as Québec City and Montréal, Ottawa and Toronto.

Finally we come to the car.

Like many, you probably believe that a trip between Montréal and Québec City, for example, is faster by car.

Well, let me share my accountant's perspective.

Take out a paper, pen and calculator:

Take the example of a trip between St-Lambert on Montréal's south shore and Ste-Foy:

- We are talking about a total of 2 hours and 44 minutes by car.
- The same distance by train takes 2 hours and 17 minutes.
- This gives us a difference of... 27 whole minutes!
- Don't forget! If you travel from downtown to downtown, add a good thirty minutes to cross the bridges, but only if you travel on a beautiful sunny day while avoiding rush hour traffic, which would only add more time!



Let's continue to play with the numbers...

- There are 238 km between Ste-Foy and St-Lambert.
- Multiply that number by 2 on a return trip for a total of 476 km.
- At \$0.57 per kilometre, which is the amount suggested by the Canadian Automobile Association, how much will your return trip cost if you travel by car?
- Fasten your seat belts! It will cost \$271.32!
- With VIA, the same trip, even in Business class, could cost as little as \$158.00.
- This means savings of \$113.32.
- And don't forget, the cost of traveling in Business class includes one meal.
- Finally, with all that free time, you will have saved 4 hours and 34 minutes, or 308 minutes, or 18,480 seconds, to do with as you please!
- And if you choose to work while travelling on the train, that's 308 billable minutes!
- Interesting, isn't it?
- So think twice the next time you get on the road between Montréal and Québec City.

Finally, if you have not already done so, I encourage you to try the experience: the experience of a relaxing and safe trip. The experience of a great breakfast, a few hot cups of coffee served with politeness and courtesy.

You will find that "to try it is to like it", if I can borrow an old slogan.

Thank you for having invited me to talk about VIA. Now, who wants to get onboard and take an incredible trip for two in Business class with VIA?

I wish you all a wonderful evening gala. Thank you for listening and I am available to answer all of your questions.

-End of speech-