

Speaking Notes

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VIA RAIL CANADA
DELIVERED AT MONTREAL – BOARD OF TRADE OF METROPOLITAIN MONTREAL
CHECK AGAINST DELIVERY**

The passenger train: viable, attractive and sustainable for all Canadians

I am delighted to be with you today at the Board of Trade of Metropolitan Montréal – that great promoter of Montréal, her economy and her businesspeople. The Board is without question a key actor that is imagining, fighting for and developing a better, more competitive, Montréal.

Despite the city's dynamism, we have to recognize that it faces many challenges. As you have in front of you the President and CEO of a railway company, we're going to spend some time talking, more particularly, about the difficulties and challenges that Montréal is facing in terms of urban transportation.

You've seen them, I'm sure – the orange cones that showed up again a few weeks ago. Work has begun on the Turcot Interchange and the bridges ...and is obviously going to make your travel more difficult.

The service that we offer can OF COURSE simplify that network. All of the improvements we are making to our operations – constant improvements in our efficiency and productivity – mean that ultimately, the customer comes out the winner. It's that lean approach – but above all what we have in mind for VIA's future – that will make us, and passenger rail, a pertinent transportation mode of choice in Canada.

In the 1950s, the President of the France national railway company, Louis Armand – a brilliant engineer – made the following statement: "Rail will be the transportation mode of the 21st century...if it survives the 20th."

We unquestionably welcome that assertion at VIA!!! Why? Because everything at VIA has been transformed over the past few years, and the CHANGE continues.

Let's briefly go back in time:

1977: VIA Rail was created as a Crown Corporation by order-in-c to maintain an appropriate level of service to Canadians across the country and to reduce costs to the taxpayers. VIA inherited outmoded passenger equipment from CN and CP, while the freight railways retained ownership of most track and rail infrastructure.

1990: VIA's network of passengers services was reduced by half. Reference levels for annual operations funding were eventually reduced by the same percentage.

Since 1990, VIA has maintained the same network of Train services while almost doubling revenues and absorbing all cost increases due to inflation, keeping current expenses at 1990 levels. At the same time, VIA has consistently improved the quality of passenger rail service, exceeding customer expectations by 45% in 2011.

2007: The government of Canada announced a five year, 516 million dollars capital investment in passenger rail infrastructure and equipment. Another 407 million dollars was made available for capital projects in 2009, with this investment totaling 923 million dollars, VIA is expending track capacity, buildings, traffic control systems, modernising passenger facilities and stations, renewing locomotives and rail cars and improving on board Wi-Fi system.

It takes a lot of ingenuity. VIA has to innovate, develop new services, speed up service on certain routes, adapt itself to the market, offer high quality service where safety is THE number one priority...and remain competitive as a transportation mode for all Canadians. VIA has worked really hard to renew itself...and THE TRANSFORMATION continues.

By changing its business model and opting for new management methods, VIA has already improved its financial performance considerably. Indeed, if we exclude the cost of the pension plan, our revenues have grown while our expenses have declined. In 2010, the operating deficit was reduced by 9 million dollars compared to 2009. The financial performance for 2011, though unverified, indicates an even greater reduction in comparison to 2010. Over two years, we can predict that VIA will have reduced its operating deficit by nearly 30 million dollars.

Now, imagine the potential this company represents for future years.

VIA is determined to offer financially viable service.

Among the routes it serves, VIA counts no less than six essential services. Trains that make round trips a few times a week from urban centers to remote regions – the Montréal-Senneterre or Winnipeg-Churchill trains, for example. Though these routes are used by only a small percentage of the population, they are there because the government really wants to offer that service to its citizens.

But VIA's mandate goes well beyond these services for people living in remote areas.

VIA also operates trains in densely-populated markets, where there are many users. Fifty percent of VIA's passenger traffic is in the Montréal-Ottawa-Toronto triangle. So VIA puts a lot of effort into that. Why? Because financially viable service absolutely requires solid performance in the famous Québec-Windsor corridor.

So VIA is choosing to better adapt to the market. By meeting your expectations.

- 1) We are offering you safer, more reliable train service: trains that leave and arrive on time. In 2011, despite all the track improvement and equipment rebuild work, VIA has improved its on-time performance to 84 percent.
- 2) We also offer you better frequencies: in January, we modified the schedule in the Montréal-Ottawa-Toronto triangle. There are more departures between cities, and the schedules are better-tailored to your needs. According to our evaluation, these changes will result in 100,000 more passengers, each year, in the triangle.
- 3) We also offer faster travel and continue to work on reducing trip times. For example, it is now possible to make the Ottawa-Toronto trip in 3 hours 57 minutes. An increasingly attractive travel.
- 4) You can also travel aboard our trains while staying connected, at all times, to our world-class mobile Wi-Fi service. So your travel time is more productive.
- 5) We are in constant contact with our passengers... we read you all the time on Twitter and Facebook, because VIA places great importance on the ties it creates with its customers via social media.
- 6) You can obviously reserve your ticket and manage your travel from your computer or smart phone.
- 7) Finally, VIA offers you better connections between our trains and other transportation modes. One way to simplify and facilitate your journey. Something you asked for, and we heard.

Last December, the President and CEO of Lufthansa airlines (Christoph Franz) investigated on how often his customers asked themselves the following question when they had to travel: should I go by car, train, or plane? According to Mr. Franz, the answer is very simple. It depends. According to his findings, road and rail are the best options for a 300 kilometer trip, while for trips over 500 kilometers, a plane is the most appropriate mode of transportation.

Mr. Franz's analysis is interesting. Let's transpose it to the Canadian context, adding some nuance.

To optimize transportation modes in the country, from our standpoint, the train is the best option for trips between 160 and 800 kilometers. Why? Besides being affordable cost-wise, travel times are reasonable and can be put to productive use (mobile devices always connected to our Wi-Fi, for work or relaxation, in a comfortable environment).

For trips less than 160 kilometers, the most suitable transportation modes are, according to our analyses, car, bus and commuter train. They cost less, and the trip time is reasonable.

Beyond 800 kilometers, planes are obviously the best option, because of the travel time and also because they have a greater range.

So we can draw the following conclusion: every transportation mode has its benefits, and it's in the best interests of travellers that the partners agree on how to take advantage of their strengths and promote intermodality.

Intermodality.

You know that in Europe, it is common to get off a plane and jump onto a train from the airport. Thus, it is physically possible to easily switch from one mode of transportation to another, and to organize one's trip including air and train transportation, all in one click, with a single transaction.

The German and French national railways have had agreements with airlines for about ten years now. Today, they are extending this integration to taxis, urban buses and bicycles.

In Canada, we are not there yet but at VIA we have chosen to dedicate time and energy to promoting these partnerships because we feel this solution is crucial to ensuring the mobility of Canadians in the years to come.

In the same way, VIA Rail signed an agreement last year with the urban carrier GO Transit in the Toronto region. Travellers can switch from a commuter train to a VIA train and vice-versa in a single transaction on VIA's website or at our wickets.

Even better, VIA came to an agreement a few weeks ago with the Agence métropolitaine de transport to do the same thing here in Montréal. As a result, you will be able to organize your train travel in a single transaction and easily jump from train to another. Greeting Paul Côté, president AMT.

Lastly, VIA and a well-known Montréal airline, Air Transat, have just reached an agreement. I'd like to take this opportunity to greet their President, Mr. Jean-Marc Eustache. It will thus be astoundingly easy for you to organize your overseas trips. Get on a train before jumping aboard an Air Transat plane.

Greeting Pierre Douihi, Royal Jordanian Air.

If VIA and its partners are choosing intermodality, it is because it is the way to the future.

Rather than competing with each other, transport companies must recognize that the complementary nature of modes of transportation plays a major role when it comes to providing Canadians with better travel options.

We have noticed that even if agreements between companies are not a common practice in this country, thousands of our customers already use our trains to get to airports in the Québec-Windsor corridor. For example, one could leave from the Ottawa train station to get to the Dorval station...then hop on the shuttle bus going to Montréal-Trudeau and board an overseas flight.

Transportation companies must therefore streamline location changes, from departure to arrival.

Recently, on the American network CBS, renowned moderator, Charlie Rose, interviewed former American Airlines CEO, Bob Crandall. During the show, Mr. Crandall made an astounding declaration, saying that if he was in charge of transportation in the United States, he would ban flights between Boston, LaGuardia and Washington DC. He claimed that between Boston, New York and Washington DC, he would only allow high-speed trains. On one hand, it would free up airspace and on the other hand, it would allow more flights to remote places impossible to reach by train.

Hight speed.

A recurrent topic in the news. Last month, Premier Charest again mentioned a high-speed service between Montréal and New York. Last December, Mr. Leblanc, Chairman of the Board of Trade of Metropolitan Montréal, asked for an assessment of an HST in the Québec-Windsor corridor.

You know that it is not VIA's prerogative to rule on the relevance and feasibility of an HST project. As I mentioned earlier, VIA Rail is a crown company that fulfills the mandate defined BY the federal government. If the government ever opts for high speed, VIA will be ready to join in the adventure.

That being said, without an actual HST project, what can we do at VIA to improve, simplify... and speed-up your travels?

First, let it be said that the implementation of a high-speed train cannot be done overnight...Setting up a high-speed network indisputably involves several steps. Incidentally, this is how major train services were established in France and Germany.

AND to achieve higher speed, here are the steps to follow:

- 1) First, we must provide highly reliable services to our travelers. As I said earlier, last year, the on-time performance of our trains reached 84 percent. For the first quarter of 2012, it increased to 88 percent. There is still room for improvement but our trains are generally on time.
- 2) Next, we must reduce travel time. In 2010, we reduced travel time by 20 minutes for the early morning train between Québec and Montréal.
- 3) Also, by reducing travel time, we can offer new frequencies that better meet your needs. We can modify departure and arrival times to reconcile our services against your expectations. The early train from Québec to Montréal now arrives at the Central station at 8:32 am instead of 9:17 am, as it previously did.

To that effect, VIA provided new train schedules in the Montréal-Ottawa-Toronto triangle last January and more improvements are to come this fall. VIA will provide more frequencies and will reduce the travel time of some itineraries.

- 4) Finally, added to all these improvements are the great pleasure, great comfort and, above all, the great advantage of travelling by train. You won't waste a minute because you will remain connected at all times. Would you like to be at work? You can be, virtually. Would you like to be at home? It's the same thing. Your rail travel can be productive. Same cannot be said about other modes of transportation. And when all these changes are implemented, what happens? Customers use our services more and our revenue increases. For example, compared to 2009, our revenue increased by 13 percent in 2011, for the Montréal-Québec train service. And it continues to increase. For the same route, we noted a 12 percent increase in revenue for the first quarter of 2012, compared to 2011.

To conclude, the equation is simple: if train services improve, more people will use the train. If more people take the train, more revenue will be generated, allowing for further improvement of train services.

Better passenger rail service that can attract a larger number of passengers, that's what Canada needs. It will also contribute to decreasing the number of cars on our roads, reducing pollution, providing travel from one city to another on a more frequent basis, and especially, making it easier for all Canadians.

At VIA, our wish is that passenger train services continue to evolve as a reliable, dynamic, efficient and sustainable service that serves the needs of Canadians in the 21st century.

The train helped build this country. And I would like, or rather I hope, that it grows to be one of the key elements that will define our future as a company and above all, as a sustainable means of transportation.

I hope to welcome you on board soon. Thank you