



SPEAKING NOTES:

PATRICIA JASMIN, CHIEF FINANCIAL OFFICER

Thank you Jean-Francois, it's nice to be here today. I have been with VIA Rail for 8 years, and began my role as Chief Financial Officer in January of this year.

2014 was a year of change, in particular with regards to VIA Rail's leadership. Indeed, shortly after his appointment, our new President, Yves Desjardins-Siciliano was faced with numerous challenges, which he successfully worked through. As an example, upon Yves' arrival in May, the year-end budgetary outlook forecasted a \$7M shortfall, but we ended up closing the year \$4.5M better than budget, which is a difference of \$11.5M in our favour. Looking back, it is safe to say that this past year ended up being a positive one for VIA Rail, which is an impressive turnaround and a source of pride for us all. The challenges we faced together made us stronger as a corporation and as an executive team, and we managed, through it all, to have a successful year from a financial point of view.

Indeed, revenues generated went up by 4% in comparison to 2013; a first year over year increase since 2011. This was accomplished by adjusting both capacity, to better meet market demand, and ticket fares, bringing them closer to "market value".

Another significant accomplishment is increasing our yield by 6.7%; this represents the revenue generated for each mile a passenger travels on board VIA trains. It is a standard metric used by companies who move passengers, such as airlines, busses and, like us, passenger trains.

All this was accomplished even though VIA's total ridership went down by 2.3% over the course of 2014; in other words, slightly less passengers travelled on our trains, but each of these passengers generated more revenue through ticket fares and on-board purchases.

All in all, VIA Rail's revenues for 2014 totaled \$280 million. This total is comprised of passenger revenues, which were just shy of \$260 million, plus the remaining \$20 million from station and third party revenues.

In 2014, VIA Rail's operating loss was \$317 million, which represents an increase of 3.1% over the previous year. The good news is that the increase was contained to half of what it could have been, thanks to the growth in revenues over the year. This cost containment can be considered as a modest win and a step in the right direction, especially in light of the Corporation's constant endeavor to reduce the subsidy given to us by the Government of Canada, in order to reduce the burden on Canadian taxpayers. It is also important to mention that it is the first time since 2011 that the increase in our expenses was not greater than the increase in our revenues. Expenses and revenues increased by approximately the same amount in 2014 and our intention is to maintain that approach, and then improve on it, by having our increase in expenses be less than our increase in revenues moving forward.

In 2014, our total operating expenses were \$597 million, of which \$88 million was allocated to employee benefits, which actually represents a 7.5% decrease compared to the previous year. This reduction is mainly attributable to the reduction in pension plan contributions by VIA Rail, thanks to the continued strength of markets and their impact on the solvency levels of our different plans.

Operating costs before employee benefits totaled \$509 million, representing an increase of 5.5% in comparison to the previous year. This can mainly be explained by the following elements:

- Compensation costs increased by approximately \$8 million dollars, because of the way the days fell in the calendar year, 2014 included a 27th pay period versus the usual 26 pay periods of other years;
- Harsh winter conditions and an aging fleet;
- Advertising expenses, mainly a result of VIA's aggressive television Christmas campaign; and

- Track maintenance costs, stemming of the signaling issues in Barrhaven, Ontario.

And finally, there is the impact of VIA Rail's deteriorating on-time performance, which led to lost revenue and additional expenses such as refunds, travel credits and alternate transportation like bus rentals. As VIA Rail does not own the tracks on which it operates, we have no control over the quality and frequency of the maintenance performed on the infrastructure on which it runs. Therefore, when incidents do occur, such as the interruption of the services to Gaspé, in Northern Manitoba or more recent disruptions to the western transcontinental train, VIA Rail's bottom line is directly impacted. We experience a loss of revenue, poor on-time performance and costs related to processes that ensure our passengers always get to their destinations safely.

In addition to the operating expenses previously mentioned, capital investments made by VIA Rail in 2014 totaled \$82M. The bulk of these funds were used to fund the following projects:

- \$32 million in major equipment projects, particularly in LRC fleet revitalization;
- Close to \$22 million in major infrastructure projects
- Over \$15 million in Information Technology projects, to improve our infrastructure and to improve customer experience;

2014 was a year where VIA Rail reviewed and improved its passenger revenue generation strategy. In 2015, our intent is to continue in this direction through better use of technology in all aspects of our business, reassessment of our network to explore potential realignments of our routes and taking our fare adjustment strategies one step further. Focus will also be put on attracting more passengers, new passengers, and as always, responsible financial management in order to minimize the corporations' dependency on government subsidies.

Thank you