VIA Rail Canada

Summary of the 2012 – 2016 Corporate Plan

and

2012 Operating and Capital Budgets

May 2, 2013

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EXECUTIVE SUMMARY

Background

VIA Rail Canada operates the national passenger rail service on behalf of the Government of Canada. The Corporation's objectives are to provide and manage a safe, efficient, and reliable rail passenger service in Canada. VIA's plans and funding are approved by the Treasury Board of Canada through VIA's annual Corporate Plan.

Operating Performance in 2011

VIA's revenues have improved compared to 2009 and 2010. In 2011, the Corporation's passenger revenues were $265.4 million, which represents a $7.2 million increase over the previous year. In addition to passenger revenues, VIA generated $17.4 million in non-passenger revenues in 2011. The growth in passenger revenues is largely due to higher yields and passenger volumes on VIA's Corridor train services and the Western transcontinental train service.

In 2011, total operating expenses were $543.7 million, including pension expenses of $44 million. Total operating expenses in 2011 were $7.8 million higher than in 2010 due to higher pension costs.

2012-2016 Plan Operating Requirements

VIA has identified efficiency improvements and train service modifications leading to savings in its 2011-2012 operating funding reference levels. As a consequence of these initiatives, the corporation's funding levels will be reduced by: $6.5 million in 2012/2013, $15.1 million in 2013/2014 and $19.6 million in 2014/2015 and on-going.

VIA has also developed a new operating strategy that will improve revenues and reduce the Corporation's operating deficit. This strategy will increase frequencies and optimize train schedules between Quebec City, Montreal, Ottawa and Toronto and will be made possible by the Government's $923 million capital investment. VIA has already implemented some elements of this initiative, which have proven to be operationally viable and intends to implement the next phase of this initiative in the spring 2013.

Capital Expenditures in 2011

The Government has previously announced two separate allotments of funding for VIA, totaling $923 million, which includes $903 million for capital projects and $20 million of operating funding for major equipment maintenance and overhauls. The first allotment of $516 million was made in 2007 and was to cover projects in the 2007-2011 period. The second allotment of $407 million, which is comprised of funding from the Economic Action Plan, was made in 2009 for a three year period, ending in March 2012. The capital funding is intended to modernize VIA's passenger equipment, upgrade stations and improve infrastructure in the

Quebec-Windsor Corridor to permit VIA to increase the frequency of trains, decrease trip times, and improve reliability.

VIA's capital expenditures in 2011 were $237.0 million, including $69.6 million to be spent on equipment projects, $128.2 million to be spent on infrastructure projects, and $39.3 million to be spent on other projects. The remaining capital allocation provided in Budgets 2007 and 2012 is already fully committed, and is expected to be spent by 2014/2015.

2012-2016 Plan Capital Funding Requirements

VIA's forecast capital expenditures over the 2012-2016 Plan period are $555 million. The $407 million provided for in the 2009 Budget under Canada's Economic Action Plan was spent by the March 31, 2012 deadline. A portion of the $516 million provided in the 2007 Budget, together with the $60 million provided in Budget 2012, will be applied to VIA's $219.3 million of committed capital projects in 2012.

VIA is reviewing options with Transport Canada to determine the source of funding for capital requirements after 2012/13.

Major Risks and Mitigation Strategies

The table below provides a summary of some of the more significant risks over the period of the Plan. An exhaustive risk assessment and a list of risk mitigation measures are provided in Section 7.

- **VIA will incur an operating funding shortfall between 2013 and 2016.** A number of productivity initiatives are being implemented in order to reduce VIA's operating funding requirements. The Corporation's proposals included in Budget 2012 were approved and VIA is also considering further options aimed at further reducing operating expenses.

- **VIA requires capital funding during the fiscal year period covered by this Corporate Plan.** This capital funding is required in order to comply with existing health and safety legislation and regulations, and improve network reliability and efficiency. Budget 2012 provided VIA with sufficient capital funding to ensure a safe and reliable train network in 2012/2013. As noted, VIA is exploring options with Transport Canada for a long-term solution to its capital funding requirements.

- **Passenger growth and fare increases averaging 3% may not be achieved due to adverse market conditions.** New revenues may not occur when planned due to delays in introducing new frequencies. A 1% change in volume growth will result in a change in revenues of approximately $3 million. If passenger volume or fare growth assumptions do not materialize, VIA will review its train schedules, seat availability and fare offers to help ensure that the bottom-line revenue growth of this Plan is realized.

- **Fuel costs may vary over the period of the Plan due to changes in the price of crude oil.** Fuel is an important element of VIA's cost structure. VIA uses financial instruments to mitigate fuel price fluctuations. For 2012, VIA has currently hedged 80% of its fuel requirements. VIA's costs would change by $0.42 million for every $5 change in the price of West Texas Intermediate crude.

- **Delays in equipment and infrastructure projects could jeopardize VIA's capacity to realize the revenue improvements that are built into this Corporate Plan.** VIA actively monitors projects aimed at mitigating potential delays and other risks related to completion of the equipment and infrastructure projects. At the present time, the LRC (Light, Rapid, Comfortable) car and RDC (self-propelled Rail Diesel Car) rebuild projects are being reassessed due to the contractor's inability to meet contractual obligations and the subsequent business failure and receivership of the firm in late April 2012. VIA is actively exploring options for reducing risks related to the completion of the LRC and RDC car and other rebuild programs.

VIA will work with Transport Canada to develop a long term solution to VIA's operating deficits. Further, in order to ensure that VIA has the capital funding required to deliver its mandate, the corporation will work with Transport Canada to develop a long term capital plan to sustain VIA's train service network beyond 2012/2013.

1. MANDATE

VIA Rail Canada operates a passenger rail service, providing intercity passenger service and regional and remote passenger rail transportation. The Corporation's objectives are to provide a safe, efficient, and reliable passenger rail service in Canada. VIA is mandated to operate its network with the corresponding funding through the annual approval of its Corporate Plan.

2. CORPORATE PROFILE

2.1 Background

VIA was established in 1977 as a subsidiary of Canadian National Railway (CN). VIA became a Crown Corporation in 1978, and was incorporated under the *Canada Business Corporations Act.* VIA does not have its own enabling legislation. VIA is a Schedule III, Part I Crown Corporation, is appropriation-dependent, and is not an Agent of Her Majesty.

When VIA was created, the rolling stock required to operate the passenger rail service was purchased from CN and CP. However, the rail infrastructure remained the property of CN and CP. VIA pays for access to the rail infrastructure that it does not own (93% of train miles operated).

2.2 VIA's Train Service Network

VIA operates three distinct types of services: intercity services in the Quebec City – Windsor Corridor, transcontinental services between Toronto and Vancouver and between Montreal and Halifax, and regional and remote services designated by the Government in regions where alternative transportation is limited.

VIA has developed strategic objectives for each of the three categories of train service. The markets that exist for each train service, their financial performance, and the potential for these services were taken into consideration in developing these objectives, which are summarized below:

1. *Corridor:* The market for Corridor train services exists year round, and is the most financially viable of all VIA services. During the period of the Plan, VIA will focus on improving the financial performance of Corridor trains in a number of ways, including improving VIA's revenue management and pricing strategies, continuously reviewing operating costs, and increasing the number of trains to some key markets in order to achieve its cost recovery objectives. Further, VIA will streamline services in South-western Ontario in order to reduce duplication with commuter services and match available capacity with market demand.

2. *Transcontinental*: The markets for VIA's two long distance train services – *The Canadian* and *The Ocean* – are highly seasonal. *The Canadian* attracts tourists during the peak season, namely from May to October. During the off-peak season, demand is not sufficient to justify current train frequencies from a commercial perspective. This is also true of *The Ocean*, where cost recovery is low even during the peak season, and is steadily declining

due to stiff competition from road and air travel. As part of VIA's efficiency initiatives to better match capacity with the seasonal market demand, VIA will reduce *The Ocean* from six to three frequencies per week year round and *The Canadian* from three to two frequencies per week during the off-peak season.

3. *Regional and Remote Services:* The financial performance of VIA's regional and remote train services, already the lowest of all VIA's services, is expected to decline over the period of the Plan, as passenger revenues remain relatively constant and operating costs increase with inflation. VIA is reviewing these services in order to explore the potential to partner with local interests and optimize frequencies with a view to minimizing cost growth. In early April 2011, VIA ceased operating its train service between Victoria and Courtenay on Vancouver Island due to deteriorated rail infrastructure. The infrastructure owner has informed VIA that significant infrastructure improvements will be required before passenger rail services can resume. Federal and provincial funding was recently approved to refurbish the infrastructure and the infrastructure owner is seeking other funding required to undertake the project.

2.3 VIA's Rail Infrastructure

VIA has Train Services Agreements (TSA) in place with the Class 1 and shortline freight railways that govern VIA's access to rail infrastructure. In February 2009 VIA signed a new ten-year Train Services Agreement with CN.

The ownership of VIA's infrastructure is divided as follows:

VIA owned	2% of track miles / 7% of VIA's train miles
Canadian National	79% of track miles / 81% of VIA's train miles
Canadian Pacific	4% of track miles / 3% of VIA's train miles
Hudson Bay Railway	8% of track miles / 3% of VIA's train miles
Other shortline railways	7% of track miles / 6% of VIA's train miles

As noted above, approximately 15% of the rail infrastructure that VIA operates over is owned by shortline railways. Shortline railways often do not have the financial capacity to make adequate investments in their railway infrastructure in order to allow VIA to maintain passenger train speeds. As a result, the on-time performance of some of VIA's regional train services has declined significantly in recent years.

With respect to operations on CN infrastructure, growth in freight traffic on Class 1 infrastructure and increases in train length have eroded track capacities over the years and adversely affected the on-time performance of VIA's Corridor and transcontinental train services. Additionally, CN has reduced maintenance on lines that have seen significant decreases in freight traffic. These actions have led to the need to significantly lengthen passenger train schedules which has impacted VIA's ability to compete. VIA has had to acquire pieces of track that are necessary to sustain operations and is faced with the possibility that further acquisitions may be necessary.

2.4 Station and Maintenance Facilities

The maintenance of VIA's rolling stock is carried out in facilities located in Vancouver, Winnipeg, Toronto, and Montreal. These facilities perform regular maintenance, including inspections, servicing and cleaning, along with major maintenance and refurbishments. In addition, train servicing, which consists of light maintenance and cleaning, is carried out in Halifax, Windsor, Quebec City, and Ottawa and at other line points across the country.

VIA owns most of its station network, but the two most important stations in Toronto and Montreal are leased from the City of Toronto and Canadian National, respectively. In most cases, the day-to-day upkeep and long-term maintenance of these buildings are VIA's responsibility. As part of the $923 million investment program, VIA allocated $99.3 million to station investments between 2007 and 2016. As a result of these investments, new stations were built and badly needed repairs were completed at the Corporation's station facilities throughout Canada.

VIA's infrastructure also includes two telephone sales offices (Montreal and Moncton) and six commissary centres across Canada, which provide food, beverages and provisions for the trains.

2.5 VIA's Organizational Structure

An independent Board of Directors governs VIA. VIA's President and CEO and the Board members are appointed by the Governor in Council on recommendation of the Minister of Transport, Infrastructure and Communities. There are currently 4 vacant Board positions should the Minister of Transport choose to name the maximum number of Directors. The term of the current Chairman of the Board expires on December 8, 2014.

VIA's Board of Directors is responsible for overseeing the strategic direction and management of the Corporation, and reports on VIA's operations to Parliament. The Corporation and its Board of Directors are committed to implementing principles and best practices of good governance. All members of the Board sign a code of ethics reflecting the spirit and intent of the Accountability Act, which sets out standards of transparency and accountability for the officers and directors of Crown corporations.

The Board is assisted in oversight by five committees of the Board. The committees of the board consist of: (i) the Audit, Risk and Finance Committee; (ii) the Human Resources Committee; (iii) the Investment Committee; (iv) the Corporate Governance Committee; and (v) the Real Estate, Environment and Major Capital Program Committee.

A December 2011 reorganization of senior management responsibilities focused on improved integration and reinforced decentralization of VIA's operational teams. Since December 2011, VIA has six Chief Officers, appointed by a special committee of the Board, that report directly to the CEO.

2.6 VIA’s Management Plan

VIA’s Management Plan articulates the Corporation’s Vision, Mission, and guiding principles, which provide a framework for the behaviour of the organization and ensure that VIA’s Mission and corporate objectives are understood by all employees. Key performance indicators are linked to performance goals, and are central to tracking VIA’s performance by activity and by region.

The six key performance indicators:

1. Total Revenues per Employee
2. Employee Attendance
3. Passenger Revenues per Available Seat-Mile
4. Direct Costs per Available Seat-Mile
5. On-time Performance
6. Train Incidents per Million Train-Miles

These indicators are monitored and the results are published on VIA’s intranet on a monthly basis and shared with the Board of Directors and all VIA employees.

2.7 Operating Efficiency Initiatives

VIA has identified efficiencies leading to savings in its 2011-2012 operating funding reference levels. As a consequence of these initiatives, the corporation’s funding levels will be reduced by: $6.5 million in 2012/2013, $15.1 million in 2013/2014 and $19.6 million in 2014/2015 and on-going.

VIA’s proposals can be separated into two broad categories: (i) efficiency improvements yielding $8.8 million in annual savings by 2014/2015; and (ii) train service reductions resulting in annual savings of $10.8 million by 2014/2015. Further detail on the VIA’s proposals is provided below.

Efficiency Improvement Initiatives

- VIA currently has over 35 process improvement initiatives underway that seek to eliminate business processes that do not add value for the customer. The initiatives include measures to streamline employee work schedules, improve equipment utilization, optimize maintenance processes and augment the performance of VIA’s heating, ventilation and air-conditioning systems.
- In 2012 and 2013 VIA will introduce new IT systems in order to automate processes and reduce costs. In particular, VIA will introduce an electronic ticketing system, eliminating the need for printed tickets and implement an electronic invoicing system.
- VIA will install new systems and procedures to reduce absenteeism and improve employee attendance, reducing staffing and overtime costs.

VIA judges that the efficiencies described above are attainable, given that the initiatives are under VIA’s control and do not rely on external factors for implementation. Further, the impact on VIA’s workforce due to staffing reductions will be mitigated as VIA will address these job losses by attrition as much as possible. In addition, there will be other job opportunities as VIA introduces new train frequencies in the corridor as part of its medium-term capital program.

Train Service Reduction Initiatives

- VIA will streamline its services in South-western Ontario (SWO) that duplicate commuter train services and promote connectivity with the GO Transit network serving Kitchener-Waterloo and Niagara Falls markets.
- The number of frequencies operating between Toronto and Vancouver will be reduced from three to two frequencies per week during the off-peak period (between November and April). Passenger volumes and revenues for this train service vary greatly depending upon the season. The reduction in service will mitigate the poor revenue performance of the train service during the off-peak season, while maintaining access to the communities served.
- VIA operates six train frequencies between Halifax and Montreal and will reduce the service to three frequencies per week year-round. The change will better align services in the region with demand and will bring the number of train frequencies operating between Montreal and Halifax more in line with VIA's other long-haul and regional train services. The reduction will enable VIA to optimize equipment deployment, maximize asset use while maintaining year-round service to the communities. All of the communities have access to a highway and some of the larger centres have airports. VIA is working with the bus companies to harmonize schedules to maintain and improve intermodal linkages to these communities.

VIA judges that introducing efficiencies to the transportation system, eliminating duplication and providing better connections will promote an improved **intermodal transportation network** in the Corridor.

With respect to the reduction of frequencies on VIA's eastern and western transcontinental services where the services are being aligned with market demand (and alternative transportation choices are available), VIA will seek to mitigate the impact of job losses, by making alternative employment opportunities available to affected employees where possible, and by strategically managing attrition.

2.8 VIA's Past Financial Performance

In response to the funding reductions, VIA has acted aggressively in terms of growing revenues and controlling expenses. Cost recovery, which measures the ratio of revenues to costs, has improved by 74%, rising from 29¢ per passenger mile in 1990 to 52¢ in 2011. During that same period, VIA almost doubled its revenues, absorbed inflation, and maintained expenses at 1990 levels (excluding pension contributions). At the same time, VIA has consistently improved the quality of passenger rail service, with 44% of travellers reporting VIA exceeded their expectations in 2010, while another 53% reported VIA met their expectations.

2.9 Asset Renewal Fund (ARF)

Established in 1999, the ARF is a vehicle to segregate and retain revenues generated from the sale of surplus assets. The ARF consists of financial assets administered by professional asset managers based on an investment policy approved by VIA's Board of Directors. External auditors audit the ARF every year. VIA is required to seek approval from the Minister of Transport and the President of the Treasury Board to access funding from the ARF.

VIA sought approval, most recently in January 2012, and again in March 2012, to withdraw funds from the ARF as a supplementary source of capital funding to complete acquisition of a 7 mile portion of the CN Chatham Subdivision used by the Toronto-Windsor train service and to conclude work on accessibility modifications to the Renaissance car fleet.

The year-end ARF balance reflects those activities undertaken throughout 2012, namely: withdrawals for committed capital project expenditures, proceeds from asset sales (including disposal of Lévis station) and income from short term investments. Over the 2012-2016 Plan period, VIA is committed to complete its share of the Toronto Union Station modernization project and plans to withdraw earmarked ARF funds approved for this purpose in 2013 and 2014.

3. CURRENT YEAR (2011)

3.1 Operating Performance in 2011

In keeping with Canada's economic recovery, revenues continue to improve compared to 2009 and 2010 levels. VIA's passenger revenues were $265.4 million in 2011, which represents a $7.2 million increase, or 2.8%, over those generated in 2010. This improvement in revenues is largely due to higher yields (revenues per passenger-mile). In addition to the passenger revenues, VIA generated $17.4 million in non-passenger revenues in 2011, including station lease and concession income, and equipment servicing and rental contract revenues.

Total operating expenses in 2011 were $543.7 million, $7.8 million higher than in 2010 when operating expenses totalled $535.9 million, an increase of just 1.4%. The higher operating expenses are a result of increased pension costs. Excluding pension costs, other expenses have declined by $12.2 million, despite wage increases and inflation.

Corridor

Revenues for the Quebec City – Windsor Corridor were $202 million in 2011, up $4.1 million from 2010. This growth is due to increased ridership and more systematic pricing and yield management strategies, new revenues due to closer partnerships with commuter and local transit partners including GO Transit and Agence Métropolitaine de Transport, and improved revenue share from Wi-Fi services.

In early 2012, VIA modified the schedules for some of its trains operating between Montreal, Ottawa and Toronto in order to create new travel connections between Montreal and Toronto via Ottawa. These new connections will make a positive contribution to VIA's revenue growth.

Once the infrastructure investments are completed between Brockville and Toronto, VIA will increase frequencies between Ottawa and Toronto. These changes are described in Section 5.

Transcontinentals

Revenues from the Western Transcontinental were $43.6 million in 2011, which represents a $2.5 million increase over the revenues generated in 2010. Revenues from the Eastern Transcontinental, $14.7 million in 2011, a $1.1 million improvement compared to 2010.

VIA will reduce the frequency of trains between Montreal and Halifax and between Toronto and Vancouver. These changes are described in Section 2.8.

Regional and Remotes

Revenues from VIA's regional and remote train services were $4.5 million in 2011, which represents a $0.7 million decrease compared to the $5.2 million that was generated in 2010, a consequence of suspending passenger service on Vancouver Island since April 2011. The cost recovery ratio for most of these services is low and the growth potential is limited.

VIA currently operates mandatory train services to meet the year round transportation access needs to remote communities.

3.2 Capital Expenditures in 2011

VIA spent $237 million of capital funding in 2011. Of this amount, $69.6 million was spent on equipment projects, $128.2 million was spent on infrastructure projects, and $39.3 million was spent on other capital projects. As a result of delays to committed capital projects, VIA is proposing to reprofile $73 million of capital funds originally budgeted for expenditure in 2011 in order to re-align capital funding with project expenditures. Specific capital projects are discussed in detail in Section 6.

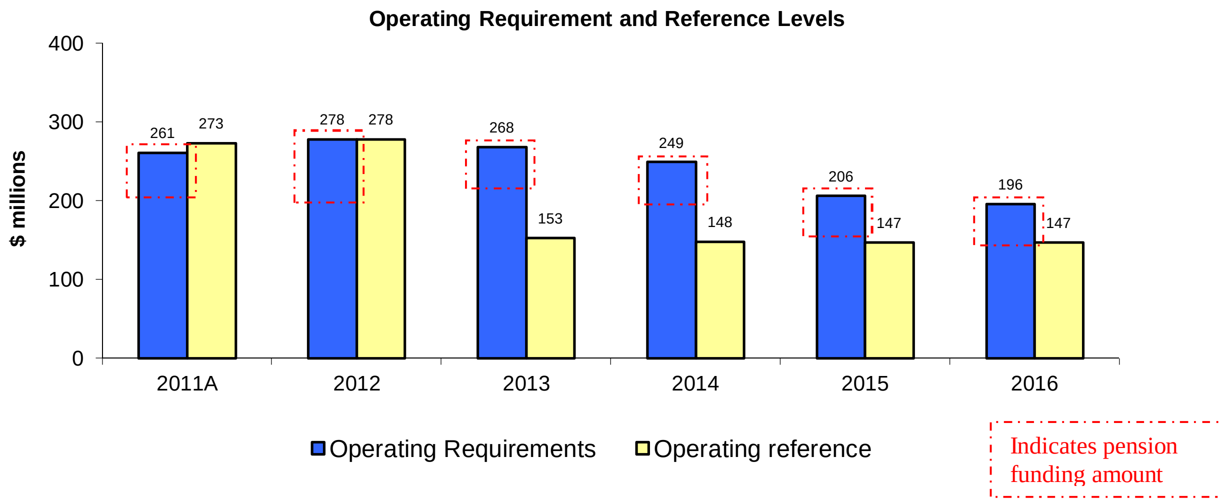
3.3 Business Environment

Following a solid rebound in travel demand in 2010, high energy prices continue to drive domestic demand for intercity rail travel in 2011 and beyond. Higher fuel prices are relatively advantageous to VIA, because travel by car or by air, which represent VIA's most significant modal competitors, is more sensitive to increased fuel prices than rail travel, and unlike airlines, VIA has the flexibility to increase capacity without increasing fuel costs by adding more passenger cars to existing trains.

During the period following the 2008/2009 recession, consumer confidence (as measured by the Conference Board of Canada's Monthly Index) declined to 79 in the fall of 2010, but has since been trending steadily upward, reaching 84 in August 2011. According to the Canadian Tourism Commission, demand for international travel to Canada will be dampened by weak demand from the US due to poor labour market conditions and an unfavourable exchange rate, as well as sovereign debt issues and slow growth in Europe and Japan.

4. OVERVIEW OF THE 2012-2016 OPERATING BUDGET

During the period covered by this Corporate Plan, VIA expects to incur a $322.4 million deficit. Budget 2012 provided incremental operating funding totalling $113 million to cover the 2012/2013 operating deficit, including pension costs of $68 million. VIA's pension costs in future years are forecast at $254.5 million while non-pension related operating requirements are estimated at $67.9 million.



The preceding graph illustrates VIA's projected operating requirements and reference level funding during the period covered by this Plan. As indicated in the table, VIA does not expect to be able to operate within its $146.8 million reference level by 2015, excluding pension costs.

4.1 Revenues

VIA forecasts a 35% increase in operating revenues over the period of the Plan, from $282.8 million in 2011 to $381.5 million in 2016. This increase will be driven by market growth and fare action described above, the revenues generated from new train frequencies, for which implementation will begin in April 2013 and by implementation of a new revenue management system, beginning mid-year 2012. By matching capacity with market demand, VIA expects to minimize revenue losses associated with train service initiatives in SWO and on the eastern and western transcontinental services.

The growth forecasts mentioned above include revenue enhancement initiatives generated by on-going IT investments: in particular, continuing upgrades to the revenue management system and new reservation management system technology should produce higher revenue yields per passenger by better matching fares with demand; while implementation of on-train IT services network using BlackBerry technology, Wi-Fi investments, strategic alliances with other transportation providers and other initiatives should stimulate additional sales revenues by offering customers convenient access to new products and services in stations and on-board.

4.2 Competitive Environment in VIA's MOT Corridor

In May 2011, Air Canada joined Porter Airlines in offering direct service between Montreal and Toronto City Airport. Air Canada currently offers up to fifteen daily flights between Montreal and Toronto City Airport and Porter operates another fifteen. These flights are in addition to the air travel options that exist between Montreal and Toronto Pearson International Airport.

The frequency of flights and competitive pricing of air travel between Montreal and Toronto have affected the financial performance of VIA's medium-distance Montreal-Toronto and Ottawa-Toronto train services and business class revenues have been especially affected. In its shorthaul markets, especially Montreal-Quebec and Montreal-Ottawa, VIA's financial results have improved compared to 2010.

In order to improve the financial performance of VIA's Montreal-Toronto service, the Corporation will aggressively manage yields. Likewise, VIA's new MOT operating strategy described in Section 5 will improve service by increasing the number of frequencies on VIA's better performing corridor routes as well as improving service between Montreal and Toronto for through passengers as more Montreal-Toronto frequencies become express trains.

4.3 Expenses

VIA has been actively reviewing its costs in order to ensure that growth in operating expenses is minimized. The cost containment and productivity measures outlined in this Corporate Plan and those that have been carried out as part of the 2010-2014 and 2011-2015 Corporate Plans reflect the intent of the administrative cost containment measures outlined in the Government of Canada's Budgets 2010 and 2011. Further, VIA will implement efficiency initiatives that will reduce the corporation's funding requirements by $19.6 million by 2014/2015. These initiatives are described in Section 2.8.

It is important to note that the increase in VIA's operating expenses over the period of the Plan is essentially attributable to the new frequencies that VIA will implement in April 2013, or earlier if possible. The annual growth in expenses from the network will be limited to 4.4% over the period of the Plan as a result of negotiated increases in TSA charges and higher fuel expenses.

4.3.1 Pension Contributions

Pension contributions of $322.5 million between 2012 and 2016 are required in order to offset the pension deficit within five years as required by the *Pension Benefits Standard Act*. The federal government's Office of the Superintendent of Financial Institutions conducts regular audits of VIA's pension plans. In addition, VIA conducts an annual actuarial valuation in order to assess pension liabilities and pension funding requirements. The results of VIA's most recent actuarial valuation were received in March 2012 and identified the requirement for increasing contributions in 2012 and 2013 which taper off over the following three years.

The estimate of pension contributions required over the plan period has increased due to the continuing decline in long term interest rates since VIA's last Corporate Plan was approved. The reduction over the years in the projected pension funding requirement is based on Budget 2012 data that forecast an upward trend on long term bond yields, thus progressively eliminating a portion of the solvency deficit.

4.3.2 Fuel

VIA purchases financial instruments in order to mitigate its exposure to rising fuel prices. VIA's foreign exchange and fuel hedging activities add a degree of certainty to future prices, and have effectively delayed the impact of rising fuel prices in the past while reducing volatility resulting from short term price fluctuations. Fuel remains a significant portion of VIA's operating costs, representing 8% of total operating expenses. VIA is projecting that fuel costs in 2012 will decrease by 8%, the lower fuel consumption being attributable to more efficient locomotives and optimized equipment deployment.

4.3.3 Train Services Agreement Charges

The charges related to the Train Services Agreement (TSA) represent approximately 9% of VIA's total operating expense. VIA and CN concluded a ten-year Train Services Agreement in 2009 that provides for annual rate escalation tied to inflation over the 2009-2018 period plus adjustments at five-year intervals beginning in 2012. As a result, access charges will increase by an average 4% per year.

5. NEW MONTREAL-OTTAWA-TORONTO OPERATING MODEL

VIA is of the opinion that the greatest potential for revenue growth lies in improving train services between Montreal, Ottawa and Toronto. VIA has developed a new operating strategy that will improve revenues and reduce the Corporation's operating deficit. This strategy will increase frequencies and optimize train schedules between Montreal, Ottawa and Toronto, and is being made possible by the Government's $923 million capital investment.

Specifically, VIA proposes to increase the frequency of trains by adding four new return trips (eight trains) between Ottawa and Toronto, and converting most Montreal – Ottawa and Ottawa – Toronto trains into through-trains between Montreal and Toronto, effectively increasing Montreal – Toronto frequencies. In addition, the trains travelling directly between Montreal and Toronto will be converted into express trains or semi-express trains. VIA has already implemented some elements of this initiative, which have proven to be operationally viable and intends to implement the next phase of this initiative in April 2013.

6. CAPITAL FUNDING BETWEEN 2012 AND 2016

6.1 Capital Budget

The 2007 and 2009 Budgets provided VIA with $903 million in capital funding, along with $20 million in new major maintenance and overhaul funding. Budget 2012 provided additional $60 million of capital for the 2012-2013 government fiscal year. These funds will allow VIA to make significant investments in equipment, rail infrastructure, stations and IT systems. These investments will contribute to VIA's viability, sustainability and growth.

VIA's forecast capital expenditures over the 2012 to 2016 Plan period are $555 million. The $407 million provided for in the 2009 Budget under Canada's Economic Action Plan was spent by the March 31, 2012 deadline and the remaining capital funding will be sourced from what remains of the $516 million provided for in the 2007 Budget and the $60 million provided in Budget 2012. With $219.3 million of committed capital to be spent in 2012, only $110.5 million of capital funding remains available between 2013 and 2016 including VIA's remaining Asset Renewal Fund.

VIA will seek to reprofile capital funding from 2011 and 2012 over the 2012-2016 planning horizon in order to reflect revised forecasts of capital expenditures which have changed as a result of delays to some projects. These funds were originally approved in the $516 million capital program provided to VIA in Budget 2007, and the reprofiled funding will be applied to complete work on VIA's committed capital projects.

6.2 Equipment

In terms of the $903 million capital program, $286.5 million is allocated to equipment rebuild projects. Of the 5 major equipment rebuild projects described below, a total of $166.9 million has been spent on work completed prior to 2012. During the period of this Plan, VIA expects to spend $119.6 million on equipment projects. Further details pertaining to each of these equipment projects is provided below.

6.2.1 Rebuild of 53 F-40 Locomotives

A total of $117.7 million was allocated to rebuild VIA's fleet of 53 F-40 locomotives. The work is being performed by Canadian Allied Diesel in Montreal. VIA awarded a contract to rebuild the 53 locomotives in December 2007 and at the end of 2011, had received 39 completed units from CAD. The final locomotive was delivered to VIA on November 19, 2012. As part of this project, the engine and auxiliary systems of the locomotives have been rebuilt and environmental enhancements have been installed. The rebuild will make the locomotives more reliable, thus reducing equipment-based delays and equipment-related maintenance costs.

These modifications will result in significant fuel savings and reduce greenhouse gas emissions (GHGs). More specifically, the rebuild is expected to reduce fuel consumption by well in excess of 5 million litres per year, which will result in a $5 million reduction in VIA's fuel costs.

6.2.2 Rebuild LRC Cars

The total funding allocated to the LRC rebuild is $120 million. The benefits of rebuilding these cars include the extension of their useful life by 15 to 20 years, savings related to decreased regular and major maintenance, increased reliability, and enhanced passenger comfort, fuel savings and environmental enhancements.

The project to rebuild 98 LRC (Light, Rapid, Comfortable) cars was awarded to Industrial Rail Services Inc. in Moncton, N.B. in April 2009 as the lowest compliant bidder. Although VIA provided technical support and revised delivery timelines on multiple occasions to accommodate Industrial Rail Services Inc.'s (IRSI) longer than anticipated learning curve, IRSI was unable to meet the contract delivery dates for refurbished cars. IRSI's delays were caused by problems with production planning and execution culminating in the lay-off of approximately half of the company's workforce in March, 2012. The layoffs eliminated all possibility of IRSI completing the rebuild within a reasonable timeframe. In April 2012, work on the LRC cars ceased completely when IRSI was placed in receivership due to the company's inability to meet financial obligations to the Government of New Brunswick.

As a result of IRSI's inability to fulfill contractual obligations, VIA is actively exploring alternatives in order to: (i) mitigate the impact of IRSI's failure on the future cost of the project; and (ii) minimize delays in the delivery of the rebuilt equipment. Amongst other options, VIA will explore the potential to reactivate IRSI facilities in Moncton, using a qualified supplier under the purview of IRSI's bankruptcy trustee, perform some of the refurbishment work at VIA's maintenance facilities in Montreal, and outsource some of the work on the remaining cars to qualified suppliers.

6.2.3 Transcontinental Stainless Steel (HEP 1) Modernization – Phase I

A total of 87 cars assigned to *The Canadian* will benefit from investments made as part of the $923 million capital investment. Seventy-five of the 87 HEP 1 cars will have their mechanical systems overhauled as part of VIA's $20 million master maintenance and overhaul (MOS) program. In addition, 45 of those 75 cars will benefit from a new modernized look, which will include new colours and materials, upholstery and wall coverings. Given available funding, VIA determined that market conditions did not warrant modernization of the entire car fleet at the present time, and the remaining 30 cars will be refinished in their original interior design, These investments are funded from the MOS program and the work has been undertaken at VIA's Montreal Maintenance Centre.

Of the remaining 12 HEP1 *Canadian* cars, VIA had committed to investing $25 million in order to completely redesign and rebuild eight Chateau sleeping cars and four Park lounge-observation cars. This project was awarded to Avalon Rail Inc. in Milwaukee, Wisconsin. In early 2012 VIA revised the contract with Avalon and the supplier will complete the stripping, rewiring, and installation of new or rebuilt mechanical systems. Completion of the car interiors will be undertaken in partnership with Julien Inc., a Quebec company with significant experience with passenger rail car refurbishments. The new cars will allow VIA to begin introducing a modernized, premium sleeper class product on *The Canadian* in the summer of 2013.

6.2.4 Renaissance Cars – Accessibility Improvements and Other Modifications

Within the context of the $516 million capital program, $8 million has been allocated to carry out accessibility, safety and other modifications on the Renaissance equipment in accordance with the Canada Transportation Agency (CTA) Code of Practice for Passenger Rail Car Accessibility as outlined below:

- Three sleeping cars will be modified so that each of the trainsets assigned to the eastern transcontinental, *The Ocean*, will have an accessible bedroom.

- Nine coach cars - one for each of the six Renaissance Corridor trains and one for each of the three *Ocean* trainsets will have a large accessible washroom.

- Every coach car (47 cars) will be modified in order to provide sufficient space for passengers who are traveling with service animals.

- In addition, at least two additional moveable aisle armrests will be installed on the double-seat side in all 47 coaches. These moveable aisle armrests allow for increased ease of entry into the seat for mobility impaired individuals.

This work was originally awarded to IRSI, however VIA has transferred the accessibility modifications to its maintenance facilities in Montreal.

6.2.5 Rail Diesel Cars (RDC)

VIA has six Rail Diesel Cars (RDC) that are assigned to the Victoria – Courtenay and Sudbury – White River services. VIA will invest $15.8 million to rebuild its RDC car fleet. The rebuild was contracted to IRSI in Moncton, New Brunswick, and two of the six cars were completed prior to IRSI being forced into receivership. VIA is exploring the potential to complete the remaining cars at the former IRSI facilities in Moncton, using a qualified supplier under the purview of IRSI's bankruptcy trustee.

6.3 Infrastructure

As part of the $903 million capital plan, $476.5 million has been allocated to infrastructure projects to enhance safety, improve reliability, increase capacity and effectively reduce trip times in the Quebec City – Windsor Corridor. Further details pertaining to specific infrastructure projects are provided below.

6.3.1 Montreal-Ottawa-Toronto

VIA believes that its long-term viability rests with improving and growing passenger rail service in the Montreal-Ottawa-Toronto triangle, which accounts for approximately 50% of VIA's revenue, and which has the greatest market potential. To this end, VIA has made significant investments in order to improve track capacity and increase the number of train connections between Montreal, Ottawa and Toronto.

A number of infrastructure projects between Montreal, Ottawa and Toronto have already been completed. These projects include upgrades to the Coteau-Ottawa track, the acquisition of rail line from Richmond to Smiths Falls, and investments in rail, ties, fencing and Centralized Traffic Control (CTC) signal systems from Coteau to Brockville via Ottawa.

6.3.2 Ottawa-Brockville

VIA will spend $3.9 million in 2012 to complete the $40.2 million project with installation of Centralized Traffic Control signal systems, fencing and additional sidings on the infrastructure between Ottawa and Brockville. This project will result in the elimination of non-signaled territory on the entire length of the CP Brockville and VIA Smiths Falls Subdivisions, as well as improved operations, at higher speeds, through the town of Smiths Falls, over the CP main line.

As a result of the infrastructure investments between Ottawa and Toronto, VIA will achieve an improvement in effective trip times and will be able to add four new additional frequencies (eight trains) on this service.

6.3.3 Brockville – Toronto

In October 2009, VIA concluded an agreement with CN to add long sections of triple track between Brockville and Toronto. The total cost of the agreement is $319.1 million (this amount includes a small portion of non-CN related costs). VIA will also invest $51 million in order to improve pedestrian accessibility and upgrade rail infrastructure leading into and out of train stations. As a result, total investments between Brockville and Toronto are expected to reach $370.1 million.

Due to the unforeseen need to expropriate a small parcel of land near Marysville, Ontario and the lengthy expropriation process, the completion of the infrastructure investments between Brockville and Toronto has been delayed. Once the project is completed, VIA will add new trains between Ottawa and Toronto, and implement the new train service operating model described in Section 5.

6.3.4 Toronto – London (Guelph-North Main Line)

An amount of $28 million is allocated to improving signalling and safety on CN's North Main Line in South-western Ontario (between Toronto and London via Kitchener). The Guelph Subdivision is non-signaled territory with train movements controlled by an Occupancy Control System (OCS). Operational safety will be enhanced by installing new automated Centralized Traffic Control (CTC) on the non-signaled portions. Upgrades will be made to automated highway crossing protection warning systems where required which will improve safety on the North Main Line. The infrastructure is operated by the Goderich and Exeter Railway (GEXR) that have the line on a long term lease from CN. VIA and GEXR concluded a new access agreement in December 2011 and infrastructure work is expected to be completed in 2013.

6.3.5 Niagara Falls Whirlpool Bridge

The Niagara Falls Whirlpool Bridge is owned by the Niagara Bridge Commission, a public agency that is administered jointly by New York State and Ontario. The bridge has two decks: the lower highway deck and the upper rail deck. The rail deck is used by a joint Amtrak-VIA Toronto-New York City passenger train.

VIA will invest a minimal sum in order to acquire the short-access track to the bridge, which CN has indicated that it will abandon. VIA estimates that approximately $1 million in capital investments, including the acquisition of the CN portion of access track, are required in order to continue to use the Niagara Falls Whirlpool Bridge, in addition to an annual charge payable to the bridge authority for use of the bridge. The annual maintenance costs and the capital investment costs will be shared with Amtrak. The $1 million to offset the costs was provided to VIA in the 2007 Budget.

7. CHALLENGES

This section outlines the issues and risks that the Corporation will face over the planning horizon, and describes the Corporation's strategies aimed at mitigating these risks.

7.1 2012-2016 Operating Funding

VIA expects to incur an operating funding shortfall over the period of the Plan. VIA is in the process of implementing a number of initiatives aimed at reducing the shortfall that were developed as part of this Corporate Plan and the 2011-2015 Corporate Plan.

VIA will work with Transport Canada to develop a long term solution to VIA's operating needs.

7.2 2013-2016 Capital Funding

VIA requires ongoing capital funding to keep its capital assets in a state of good repair through regular maintenance and replacement of equipment, track and other infrastructure. Capital funding is one of the components that contributes to VIA achieving its objectives as described in this Plan, including health, safety, security, environmental and basic operational objectives and plans

7.3 Passenger Revenues

VIA expects passenger revenues to reach $273.1 million in 2012, a 2.9% increase over 2011, then increase in 2013 by 12.5% over 2012 and in 2014 by 10.2% over 2013 as new frequencies are introduced in the Corridor. The revenue assumptions in this Corporate Plan are summarized below:

Assumptions	*2012*	*2013-2016*
Base traffic growth (volume and fares)	3% driven by modifying existing frequencies.	1% volume and 2% fares driven by more positive market trends.
Revenue management	$1.6 million	$29.6 million
New Corridor Frequencies	$1.2 million	$193.4 million

Passenger volumes are expected to grow by 1.0**%** and average fares by 2% in 2012, in line with conservative travel market growth forecasts. With the travel market weakening, fare actions will be applied cautiously, focusing on short and intermediate markets where VIA holds a market share advantage compared to other public modes.

The new Montreal-Ottawa-Toronto operating model is expected to generate $193.4 million in new revenues during the period of the Plan. This revenue increment accounts for 11.5% of VIA's forecast 2012-2016 revenues and relates directly to the planned increase in MOT frequencies. In addition, it is assumed that implementation of a new Revenue Management system will result in $29.6 million in revenue growth as available capacity is matched with fare offers which are appropriate to each scheduled train departure.

7.4 Contributions to Pension Plans

In early 2010, VIA made changes to its unionized and management pension plan practices, which reduced the solvency deficit by $192 million and lowered administrative costs by $4 million per year. Despite these changes, VIA estimates that $255 million will be required to offset pension funding requirements between 2013 and 2016. Subject to capital market conditions, VIA expects that annual pension contribution will increase to $90 million in 2013, subsequently declining to $40 million in 2016.

The level of reserves needed in the plan to meet projected payouts is determined through audits conducted by the Office of the Superintendent of Financial Institutions. By federal legislation, VIA must comply with the results of the audit.

VIA will continue to review potential amendments to the structure of both pension plans and proceed to implement changes to plan practices in order to reduce current service payments, which are estimated at $21 million in 2012. VIA's ability to make significant changes to past service pension costs, which are estimated at $47 million in 2012, are minimal. The main factor that could change the solvency deficit is the return of long term interest rates to 'normal' levels.

7.5 Fuel Cost Fluctuations

Fuel is an important element of VIA's cost structure and could vary significantly from VIA's estimate due to the uncertainty and volatility of fuel prices. VIA uses financial instruments to hedge its exposure to fuel prices and related currency risk, which adds certainty to future fuel costs and has delayed the impact of fuel price fluctuations.

For 2012, VIA has hedged 80 percent of its diesel fuel requirements, at an average hedged price of $83.50 USD for crude oil positions and $2.90 USD per gallon for heating oil positions. Given the current hedged position, for every $5 variation in the price per barrel of West Texas Crude, VIA's cost could increase/decrease by $0.42 million all else being equal in 2012.

Given that contracts used to hedge fuel prices are denominated in USD, VIA also hedges against foreign exchange risk. VIA has hedged 80 percent of its U.S. dollar exposure related to fuel purchases in 2012. For the remaining 20 percent that is not hedged, VIA estimates that a 5 percent variation in the exchange rate would result in an increase/decrease of fuel costs by $0.65 million in 2012 all else being equal. At the time of writing VIA has hedged approximately 8 percent of its foreign currency exposure related to fuel purchases in 2013.

7.6 Equipment Rebuild Projects

Work on the LRC rebuild project, Renaissance equipment project and RDC rebuild contracts has ceased as a result of IRSI being placed in receivership. At the time of writing, VIA and Ernst & Young (IRSI's trustee) are exploring options to mitigate the effects of IRSI's inability to fulfill contractual obligations. The options under consideration include: completing parts of the rebuild project at VIA facilities in Montreal, reactivating IRSI facilities in Moncton under the supervision of IRSI's trustee and outsourcing parts of the rebuild to other qualified contractors.

A total of $83 million is currently allocated to complete the LRC, Renaissance and RDC rebuilds. In order to mitigate the risk that completion of the refurbished cars is delayed further, VIA plans to offset any additional costs through changes to the project's scope or through use of new ongoing capital funding, should additional capital funding be approved.

7.7 Infrastructure Projects

Investments in infrastructure between Brockville and Toronto are complete and operational as of December 3, 2012 with some weather restricted work to be completed in 2013. The delay when compared to the 2011-2015 Corporate Plan is due to the lengthy process required to expropriate a parcel of land near Marysville, Ontario, which was completed in January, 2012.

This Plan assumes that implementation of the new frequencies will begin in April 2013. Any major delay of the infrastructure projects would adversely affect VIA's financial performance over the period covered by this Corporate Plan. In order to mitigate this risk, VIA's project managers are monitoring the progress of infrastructure projects and have included contingencies in the project budgets in order to offset cost increases. Further, VIA's Executive Capital Steering Committee and Board of Directors meet regularly to review the status of infrastructure projects.

7.8 Compensation, Wages and Succession

Collective Agreements covering 2010-2012 call for annual wage increases of 2-3%, and apply to unionized employees in 5 job categories: station and off-train service, on board service, shopcraft (maintenance), locomotive engineers, and maintenance of way (track and infrastructure). Negotiations for the renewal of these 3-year agreements are planned before their expiry at the end of 2012. Wages will increase approximately 2.5% in 2012.

8. COST REDUCTIONS

8.1 Initiatives Aimed at Reducing the Operating Deficit

VIA considers that the cost containment and productivity measures outlined in this Corporate Plan, the 2011-2015 Corporate Plan and VIA's operating efficiency initiatives reflect the intent of the measures to contain administrative cost increases and return to a balanced budget outlined in Chapter 5 of the Government of Canada's Budget 2012: Jobs Growth and Long Term Prosperity.

VIA's 2012 Operating Budget outlines initiatives to reduce the Corporation's funding requirements by $286.3 million between 2012 and 2016. The initiatives outlined below consist of: projects to increase passenger revenues and decrease costs; measures aimed at improving productivity and reducing compensation expenses; benefits derived from VIA's capital investments in infrastructure and equipment, and the benefits from a number of other initiatives ranging from IT projects to more efficient fuelling of VIA's locomotive fleet.

8.2 Other Operating Initiatives

As with previous plans, VIA has targeted operating areas where current performance differs from industry "benchmarks". Where such gaps in performance exist, improvement targets are being created, and managers tasked with identifying initiatives. Among initiatives affecting operating practices, VIA has targeted $57.5 million of potential savings – more efficient equipment overhauls and maintenance, lower fuel and access charges, economies in advertising and other expenses over the plan period. These initiatives will reduce costs by introducing more efficient equipment maintenance and car deployment practices and should stimulate revenues by improving on-time train performance and reliability.

8.3. Benefits Capital Investment - Infrastructure

As a result of the $923 million capital investment, VIA will be in a position to introduce new train frequencies between Montreal, Ottawa and Toronto. These new train frequencies and their revenue impact are described in detail in Section 5 of this Plan, and are expected to improve VIA's bottom line by $79.5 million over the period of the Plan.

8.4 Operating, Pension and Capital

The last major consideration of VIA's multi-year funding was in 2007 when funding levels for five years were set. VIA will work with Transport Canada and Central Agencies to address requirements for its operating, pension and capital for the next five years.

FINANCIAL TABLES

VIA RAIL CANADA INC.
2012 - 2016 CORPORATE PLAN SUMMARY
OPERATING FUNDING STATEMENT
(MILLIONS OF DOLLARS)

VIA FISCAL YEAR ENDING DECEMBER 31TH	ACTUAL 2010	ACTUAL 2011	PLAN 2012	2013	2014	2015	2016	TOTAL 2012-2016	% Change 2016 vs 2011
REVENUES									
Total Operating Revenues	**274.4**	**282.8**	**290.3**	**324.7**	**356.6**	**374.9**	**381.5**	**1,728.0**	**34.9%**
EXPENSES									
Total Operating Expenses	**512.1**	**499.6**	**500.7**	**502.3**	**530.2**	**530.6**	**537.3**	**2,601.1**	**7.5%**
Operating Deficit Before Government Subsidy and Pension Costs	**(237.7)**	**(216.8)**	**(210.4)**	**(177.6)**	**(173.6)**	**(155.8)**	**(155.8)**	**(873.1)**	**-28.2%**
PENSION COSTS									
Total Pension Costs	**23.8**	**44.1**	**68.0**	**90.0**	**74.5**	**50.0**	**40.0**	**322.5**	**-9.2%**
Operating Deficit Before Government Subsidy	**(261.5)**	**(260.9)**	**(278.4)**	**(267.6)**	**(248.1)**	**(205.8)**	**(195.8)**	**(1,195.6)**	**-25.0%**
less: Government Operating Funding - Reference Leve	207.0	175.3	165.4	153.4	147.9	146.8	146.8	760.3	
less: Supplementary Government Operating Funding*	75.0	98.0	113.0	-	-	-	-	113.0	
Operating Surplus / (Deficit) after Government Funding & use of ARF*	**20.5**	**12.5**	**-**	**(114.3)**	**(100.2)**	**(59.0)**	**(49.0)**	**(322.4)**	

***2010 and 2011 Funding Surplus were transferred to capital (Please refer to Table 3a for details)**

NOTE: May not add due to rounding

VIA RAIL CANADA INC.
2012 - 2016 CORPORATE PLAN SUMMARY
SUMMARY - TOTAL CAPITAL EXPENDITURES
(MILLIONS OF DOLLARS)

VIA FISCAL YEAR ENDING DECEMBER 31TH									
	ACTUAL	ACTUAL			PLAN			TOTAL	TOTAL
MAJOR CAPITAL PROGRAMS	2007-2010	2011	2012	2013	2014	2015	2016	2012-2016	2007-2016
Equipment Projects	97.3	69.6	54.9	25.2	19.8	19.8	-	119.6	286.5
Infrastructure Projects	238.3	128.2	89.8	20.2	-	-	-	110.0	476.5
Other Capital Programs	104.3	39.3	74.6	68.6	62.0	60.0	60.0	325.2	468.7
Total Capital Expenditures	**439.9**	**237.0**	**219.3**	**113.9**	**81.8**	**79.8**	**60.0**	**554.8**	**1,231.7**
less: use of Asset Renewal Fund (ARF)	-	(12.3)	(3.1)	(8.1)	(2.0)	-	-	(13.2)	(25.5)
Transfer of Operating Funding	-	(10.0)	(8.3)	-	-	-	-	(8.3)	(18.3)
Gov't Capital Funding Required	**439.9**	**214.7**	**207.9**	**105.8**	**79.8**	**79.8**	**60.0**	**533.3**	**1,187.9**
Total Gov't Capital Funding	**439.9**	**214.7**	**207.9**	**60.9**	**19.8**	**19.8**	**-**	**308.4**	**963.0**
Funding Shortfall / (Surplus)	**-**	**-**	**-**	**45.0**	**60.0**	**60.0**	**60.0**	**225.0**	**225.0**
Additional Funding Required	**-**	**-**	**-**	**45.0**	**60.0**	**60.0**	**60.0**	**225.0**	**225.0**

NOTE: May not add due to rounding

VIA RAIL CANADA INC.

2012 - 2016 CORPORATE PLAN SUMMARY

FUNDING REQUIREMENTS AND SOURCES

(MILLIONS OF DOLLARS)

VIA FISCAL YEAR ENDING DECEMBER 31TH									
	ACTUAL	ACTUAL			PLAN			TOTAL	TOTAL
	2007-2010	2011	2012	2013	2014	2015	2016	2012-2016	2007-2016
Government Funding Available									
Operating:									
Reference Level	831.0	177.9	169.0	169.0	169.0	169.0	169.0	845.0	1,853.9
Funding Reduction - Gov't Efficiency Tax	(2.9)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(13.1)	(18.6)
Funding Reduction - VIA Efficiencies	-	-	(1.0)	(13.0)	(18.5)	(19.6)	(19.6)	(71.6)	(71.6)
Total Operating Funding	828.1	175.3	165.4	153.4	147.9	146.8	146.8	760.3	1,763.8
Funding for MOS - Stimulus Package	20.0	-	-	-	-	-	-	-	20.0
Plus additional Operating funding	75.0	98.0	113.0	-	-	-	-	113.0	286.0
Total Operating Funding with Simulus Package - 2011 Corp Plan (2011-12 ARLU)	**923.1**	**273.3**	**278.4**	**153.4**	**147.9**	**146.8**	**146.8**	**873.3**	**2,069.8**
Capital:									
Reference Level	180.4	160.1	121.1	51.2	3.2	-	-	175.4	516.0
Additional Capital Funding - Stimulus Package	259.5	127.6	-	-	-	-	-	-	387.0
Additional Capital Funding Approved	-	-	44.5 **	15.5	-	-	-	60.0	60.0
Total Capital Funding with Simulus Package - 2011 Corp Plan (2011-12 ARLU)	**439.9**	**287.7**	**165.6**	**66.7**	**3.2**	**-**	**-**	**235.4**	**963.0**
Total Gov't Funding Available - 2011 corp plan (2011-12 ARLU)	**1,363.0**	**561.0**	**443.9**	**220.1**	**151.1**	**146.8**	**146.8**	**1,108.7**	**3,032.8**
VIAFunding Requirements									
Operating :	937.6	260.9	278.4	267.6	248.1	205.8	195.8	1,195.6	2,394.1
Less Use of Asset Renewal Fund (ARF) - Operating	(35.0)	-	-	-	-	-	-	-	(35.0)
Transfer Operating Funding to Capital Funding	10.0	8.3	-	-	-	-	-	-	18.3
Total Operating Funding required	**912.6**	**269.2**	**278.4**	**267.6**	**248.1**	**205.8**	**195.8**	**1,195.6**	**2,377.4**
Capital :	439.9	237.0	219.3	113.9	81.8	79.8	60.0	554.8	1,231.7
Less Use of Asset Renewal Fund (ARF) - Capital	-	(12.3)	(3.1)	(8.1)	(2.0)	-	-	(13.2)	(25.5)
Transfer Operating Funding to Capital Funding	-	(10.0)	(8.3)	-	-	-	-	(8.3)	(18.3)
Total Capital Funding required	**439.9**	**214.7**	**207.9**	**105.8**	**79.8**	**79.8**	**60.0**	**533.3**	**1,187.9**
Total VIA Gov't Funding Required	**1,352.5**	**483.9**	**486.3**	**373.4**	**327.9**	**285.5**	**255.8**	**1,728.9**	**3,565.3**
Operating Surplus / (Deficit) Before Reprofiling	10.5	4.2	-	(114.2)	(100.2)	(59.0)	(49.0)	(322.3)	(307.7)
Capital Surplus / (Deficit) Before Reprofiling	-	72.9	(42.3)	(39.2)	(76.6)	(79.8)	(60.0)	(297.9)	(225.0)
Total Funding Surplus/(deficit) before reprofiling	**10.5**	**77.1**	**(42.3)**	**(153.4)**	**(176.8)**	**(138.8)**	**(109.0)**	**(620.2)**	**(532.6)**
Reprofiling and additional funding to be requested									
Reprofiling of Surplus Operating Funding	-	-	-	-	-	-	-	-	-
Proposed Reprofiling of Capital Funding	-	(72.9)	42.3	(5.8)	16.6	19.8	-	72.9	-
Additional Capital Funding**	-	-	-	45.0	60.0	60.0	60.0	225.0	225.0
Total Funding Surplus/(deficit) after reprofiling	**10.5**	**4.2**	**-**	**(114.2)**	**(100.2)**	**(59.0)**	**(49.0)**	**(322.3)**	**(307.7)**
Gov't Operating funding after Reprofiling	912.6	269.2	278.4	153.4	147.9	146.8	146.8	873.3	2,055.1
Gov't Capital funding after Reprofiling	439.9	214.7	208.0	60.8	19.8	19.8	-	308.4	963.0
Additional Capital Funding****	-	-	-	45.0	60.0	60.0	60.0	225.0	225.0
Total Gov't Funding available after reprofiling	**1,352.5**	**483.9**	**486.4**	**259.3**	**227.7**	**226.6**	**206.8**	**1,406.7**	**3,243.1**

** As at the preparation of this Corporate Plan, this additional capital funding had not yet received Royal Assent.

**** No funds has yet been idenfied and VIA is requesting this additionnal funding

NOTE: May not add due to rounding

VIA RAIL CANADA INC.

2012 - 2016 CORPORATE PLAN SUMMARY

FUNDING REQUIREMENTS AND SOURCES

(MILLIONS OF DOLLARS)

GOV FISCAL YEAR YEAR ENDING MARCH, 31ST	ACTUAL	ACTUAL			PLAN			TOTAL	TOTAL
	2008-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2013-2017	2008-2017
Government Funding Available									
Operating:									
Reference Level	843.0	177.9	169.0	169.0	169.0	169.0	169.0	845.0	1,866.0
Funding Reduction - Gov't Efficiency Tax	(5.0)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(13.1)	(20.7)
Funding Reduction - VIA Efficiencies	-	-	(6.5)	(15.1)	(19.6)	(19.6)	(19.6)	(80.4)	(80.4)
Total Operating Funding	838.0	175.3	159.9	151.3	146.8	146.8	146.8	751.5	1,764.9
Funding for MOS - Stimulus Package	20.0	-	-	-	-	-	-	-	20.0
Plus additional Operating funding	75.0	98.0	113.0	-	-	-	-	113.0	286.0
Total Operating Funding with Simulus Package - 2011 Corp Plan (2011-12 ARLU)	**933.0**	**273.3**	**272.9**	**151.3**	**146.8**	**146.8**	**146.8**	**864.5**	**2,070.9**
Capital:									
Reference Level	177.1	140.7	161.6	36.5	0.2	-	-	198.3	516.0
Additional Capital Funding - Stimuls Package	303.9	83.0	-	-	-	-	-	-	387.0
Additional Capital Funding Approved (2)	-	-	60.0	-	-	-	-	60.0	60.0
Total Capital Funding with Simulus Package - 2011 Corp Plan (2011-12 ARLU)	**481.0**	**223.7**	**221.6**	**36.5**	**0.2**	**-**	**-**	**258.3**	**963.0**
Total Gov't Funding Available - 2010 corp plan (2010-11 ARLU)	**1,414.1**	**497.0**	**494.5**	**187.8**	**147.0**	**146.8**	**146.8**	**1,122.8**	**3,033.9**
VIA FUNDING REQUIREMENTS									
Operating :	957.9	265.0	272.9	263.2	240.6	204.9	197.3	1,178.8	2,401.7
Less Use of Asset Renewal Fund (ARF) - Operating	(34.9)	-	-	-	-	-	-	-	(34.9)
Transfer Operating Funding to Capital Funding	10.0	8.3	-	-	-	-	-	-	18.3
Total Operating Funding required	**933.0**	**273.3**	**272.9**	**263.2**	**240.6**	**204.9**	**197.3**	**1,178.8**	**2,385.1**
Capital :	496.5	223.7	206.8	103.7	96.1	60.0	60.0	526.6	1,246.8
Less Use of Asset Renewal Fund (ARF) - Capital	(5.5)	(6.8)	(5.4)	(6.3)	(1.5)	-	-	(13.2)	(25.5)
Transfer Operating Funding to Capital Funding	(10.0)	(8.3)	-	-	-	-	-	-	(18.3)
Total Capital Funding required	**481.0**	**208.6**	**201.4**	**97.3**	**94.6**	**60.0**	**60.0**	**513.3**	**1,203.0**
Total VIAGov't Funding Required	**1,414.0**	**481.9**	**474.3**	**360.5**	**335.2**	**264.9**	**257.3**	**1,692.2**	**3,588.1**
Operating Surplus / (Deficit) Before Reprofiling	-	-	-	(111.9)	(93.8)	(58.1)	(50.5)	(314.3)	(314.3)
Capital Surplus / (Deficit) Before Reprofiling	-	15.1	20.2	(60.8)	(94.4)	(60.0)	(60.0)	(255.0)	(240.0)
Total Funding Surplus/(deficit) before reprofiling	**-**	**15.1**	**20.2**	**(172.7)**	**(188.2)**	**(118.1)**	**(110.5)**	**(569.3)**	**(554.3)**
REPROFILING AND ADDITIONAL FUNDING TO BE REQUESTED									
Reprofiling of Surplus Operating Funding	-	-	-	-	-	-	-	-	-
Reprofiling of Capital Funding	-	(15.1)	(20.2)	0.8	34.4	-	-	15.1	-
Additional Capital Funding (4)	-	-	-	60.0	60.0	60.0	60.0	240.0	240.0
Total Funding Surplus/(deficit) after reprofiling	**-**	**-**	**-**	**(111.9)**	**(93.8)**	**(58.1)**	**(50.5)**	**(314.3)**	**(314.3)**
Gov't Operating funding after Reprofiling	933.0	273.3	272.9	151.3	146.8	146.8	146.8	864.5	2,070.9
Gov't Capital funding after Reprofiling	481.0	208.6	201.4	37.3	34.6	-	-	273.4	963.0
Additional Capital Funding (4)	-	-	-	60.0	60.0	60.0	60.0	240.0	240.0
Total Gov't Funding available after reprofiling	**1,414.0**	**481.8**	**474.3**	**248.6**	**241.4**	**206.8**	**206.8**	**1,377.9**	**3,273.7**

(2) As at the preparation of this Corporate Plan, this additional capital funding had not yet received Royal Assent.

(4) No funds has yet been idenfied and VIA is requesting this additionnal funding

NOTE: May not add due to rounding

VIA RAIL CANADA INC.
2012 - 2016 CORPORATE PLAN SUMMARY
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(MILLIONS OF DOLLARS)

	ACTUAL	ACTUAL			PLAN		
Year ended December 31	2010	2011	2012	2013	2014	2015	2016
Revenues							
Passenger	257.7	264.8	273.2	307.2	338.8	356.7	363.0
Other	17.0	17.8	17.1	17.5	17.8	18.2	18.5
	274.7	**282.6**	**290.3**	**324.7**	**356.6**	**374.9**	**381.5**
Expenses							
Compensation and employee benefits	249.3	252.7	264.9	286.3	281.0	256.9	254.3
Train operations and fuel	118.1	126.4	120.7	117.8	122.6	129.8	131.4
Stations and property	33.9	33.3	35.6	36.8	38.5	39.3	40.1
Marketing and sales	22.7	29.6	28.3	29.4	30.8	31.8	32.4
Maintenance material	39.0	32.5	31.9	33.3	34.6	35.6	36.3
On-train product costs	14.7	15.1	15.3	16.5	19.0	19.2	19.5
Operating taxes	8.8	6.9	9.6	9.7	9.8	9.9	10.0
Professional services	6.3	7.8	8.0	8.2	8.4	8.6	8.8
Amortization and losses on write-down and disposal of property, plant and equipment and intangible assets	49.0	49.7	63.3	77.3	84.4	91.2	90.0
Unrealized loss (gain) on derivative financial instruments	(7.4)	2.4					
Realized loss (gain) on derivative financial instruments	6.2	(6.3)					
Other	31.5	24.6	29.7	29.7	35.3	24.9	19.8
	572.1	**574.7**	**607.3**	**645.0**	**664.4**	**647.2**	**642.6**
Operating loss before funding from the Government of Canada and corporate taxes	**297.4**	**292.1**	**317.0**	**320.3**	**307.8**	**272.3**	**261.1**
Operating funding from the Government of Canada	261.5	260.9	278.4	153.4	147.9	146.8	146.8
Amortization of deferred capital funding	49.0	46.5	61.8	75.8	82.9	89.7	88.5
Income (loss) before corporate taxes	**13.1**	**15.3**	**23.2**	**(91.1)**	**(77.0)**	**(35.8)**	**(25.8)**
Corporate tax expense (recovery)	0.0	(4.9)	0.0	0.0	0.0	0.0	0.0
Net income (loss) and comprehensive income (loss) for the year	**13.1**	**20.2**	**23.2**	**(91.1)**	**(77.0)**	**(35.8)**	**(25.8)**

Reconciliation of Net income (loss) for the year to Government Funding Basis

	2010	2011	2012	2013	2014	2015	2016
Net income (loss) and comprehensive income (loss) for the year	**13.1**	**20.2**	**23.2**	**(91.1)**	**(77.0)**	**(35.8)**	**(25.8)**
Items not requiring (not providing) operating funds:							
Amortization and losses on write-down and disposal of property, plant and equipment and intangible assets	49.4	50.0	63.3	77.3	84.4	91.2	90.0
Amortization of deferred capital funding	(49.0)	(46.5)	(61.8)	(75.8)	(82.9)	(89.7)	(88.5)
Employee future benefits	(5.2)	(25.5)	(25.4)	(25.4)	(25.4)	(25.4)	(25.4)
Unrealized gain on derivative financial instruments	(7.4)	2.4	0.0	0.0	0.0	0.0	0.0
Deferred corporate taxes expenses	0.4	(1.8)	0.0	0.0	0.0	0.0	0.0
Adjustment for accrued compensation	(0.2)	1.6	0.7	0.7	0.7	0.7	0.7
Change in investment fair value	(0.8)	(0.4)	0.0	0.0	0.0	0.0	0.0
Other	(0.3)		0.0	0.0	0.0	0.0	0.0
Operating funding surplus (deficit) for the year	**0.0**	**0.0**	**0.0**	**(114.3)**	**(100.2)**	**(59.0)**	**(49.0)**

Pro-forma Financial Statements prepared in accordance with International Financial Reporting Standards

VIA RAIL CANADA INC.
2012 - 2016 CORPORATE PLAN SUMMARY
BALANCE SHEET
(MILLIONS OF DOLLARS)

	ACTUAL	ACTUAL			PLAN		
As at December 31	2010	2011	2012	2013	2014	2015	2016
Current assets							
Cash and cash equivalents	76.8	13.3	3.0	3.0	3.0	3.0	3.0
Accounts receivable, trade	8.0	10.7	8.4	9.4	10.4	10.9	11.1
Prepaids, advances on contracts and other receivables	14.4	11.1	20.0	13.0	12.0	12.0	12.0
Receivable from the Government of Canada	15.7	0.0	120.0	100.0	70.0	70.0	60.0
Derivative financial instruments	4.7	2.2	2.2	2.2	2.2	2.2	2.2
Materials	21.3	21.3	23.3	24.3	25.3	26.3	27.3
Asset renewal fund	15.3	24.0	13.4	2.0	-	-	-
Sub Total	**156.2**	**82.6**	**190.3**	**153.9**	**122.9**	**124.4**	**115.6**
Non-current assets							
Property, plant and equipment	729.9	814.8	885.8	930.7	943.4	951.5	939.6
Intangible assets	235.4	337.2	421.2	413.0	397.7	378.2	360.1
Asset renewal fund	25.6	9.9	5.5	4.0	4.3	4.4	4.5
Accrued benefit asset	159.1	186.9	102.8	40.7	-	-	-
Sub Total	**1,150.0**	**1,348.8**	**1,415.3**	**1,388.4**	**1,345.4**	**1,334.1**	**1,304.2**
TOTAL ASSETS	**1,306.2**	**1,431.4**	**1,605.6**	**1,542.3**	**1,468.3**	**1,458.5**	**1,419.8**
Current liabilities							
Accounts payable and accrued liabilities	136.0	103.8	101.2	94.2	98.9	108.5	107.7
Provisions	16.4	18.1	18.5	18.9	10.1	10.3	10.5
Deferred government funding	51.0	6.1					
Derivative financial instruments	1.2	1.1	1.1	1.1	1.1	1.1	1.1
Deferred revenue	25.5	26.7	28.9	31.2	33.1	34.7	36.3
Sub Total	**230.1**	**155.8**	**149.7**	**145.4**	**143.2**	**154.6**	**155.6**
Non-current liabilities							
Accrued benefit liability	33.1	35.4	38.4	40.8	49.1	73.6	88.2
Deferred corporate tax liabilities	0.4	-	-	-	-	-	-
Deferred investment tax credits	0.9	0.6	0.3	-	-	-	-
Other	0.6	0.0	0.0	-	-	-	-
Sub Total	**35.0**	**36.0**	**38.7**	**40.8**	**49.1**	**73.6**	**88.2**
Deferred capital funding	**965.5**	**1,143.8**	**1,298.2**	**1,328.2**	**1,325.1**	**1,315.2**	**1,286.7**
Shareholder's equity (deficiency)							
Share capital	9.3	9.3	9.3	9.3	9.3	9.3	9.3
Retained earnings (deficit)	66.3	86.5	109.7	18.6	(58.4)	(94.2)	(120.0)
Sub Total	**75.6**	**95.8**	**119.0**	**27.9**	**(49.1)**	**(84.9)**	**(110.7)**
TOTAL LIABILITIES AND SHAREHOLDER'S EQUIT	**1,306.2**	**1,431.4**	**1,605.6**	**1,542.3**	**1,468.3**	**1,458.5**	**1,419.8**

Pro-forma Financial Statements prepared in accordance with International Financial Reporting Standards

VIA RAIL CANADA INC.
2012 - 2016 CORPORATE PLAN SUMMARY
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(MILLIONS OF DOLLARS)

	ACTUAL	ACTUAL			PLAN		
As at December 31	2010	2011	2012	2013	2014	2015	2016
Balance, beginning of year	62.5	75.6	95.8	119.0	27.9	(49.1)	(84.9)
Net income and comprehensive income for the year	13.1	20.2	23.2	(91.1)	(77.0)	(35.8)	(25.8)
Balance, end of year	**75.6**	**95.8**	**119.0**	**27.9**	**(49.1)**	**(84.9)**	**(110.7)**