



VIA Rail Canada

**Summary of the
2011 – 2015
Corporate Plan**

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EXECUTIVE SUMMARY

Background

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

Operating Performance in 2010

VIA's total revenues were \$274.4 million in 2010, which is \$3.7 million greater than the forecast included in the 2010-2014 Corporate Plan and \$9.5 million greater than revenues accrued in 2009. The revenue growth in 2010 is due to higher revenue per passenger (yield) when compared to 2009.

In 2010, the corporation aggressively reduced costs in order to mitigate the lingering effects of the 2009 recession. Amongst other measures, the corporation eliminated more than 12 percent of its non-unionized and management workforce and optimized train consists in order to better align capacity and demand. Expenses were \$535.8 million in 2010, which is \$16.9 million lower than the forecast included in the 2010-2014 Corporate Plan.

Capital Expenditures in 2010

VIA's capital budget for 2010 was \$350.5 million, of which \$129.5 million was provided in the Government of Canada's Budget 2007, \$211 million was provided in Budget 2009 and \$10 million was sourced from VIA's Asset Renewal Fund (ARF). Of the \$350.5 million: \$207.8 million was allocated to infrastructure investments; \$81.5 million was allocated to equipment projects; and \$61.1 million was invested in other projects including station upgrades and Information Technology projects. In 2010, VIA spent \$268.6 million of capital funding and will seek to re-profile \$71.9 million out of 2010, or \$118.1 million out of 2010/2011 into future years.

Operating Budget between 2011 and 2015

Revenues grew moderately in 2010 and VIA is forecasting moderate revenue growth into 2011. However, revenue growth is expected to accelerate starting in 2012. This Corporate Plan forecasts total revenue growth of 43.3 percent between 2011 and 2015.

VIA's expenses, including pension costs, are expected to grow by 15.7 percent. Amongst other items, VIA's operating expenses will be affected by the requirement to make pension contributions over the planning period (additional operating costs as a result of the new frequencies between Ottawa and Toronto) and higher Train Service Agreement

charges. VIA's operating costs over the planning period are described in section 4.2. Operating costs between 2009 and 2011 have remained flat, except for pension costs.

In addition to its reference level funding base of \$175.8 million for 2011, VIA received \$98 million of additional operating funding in Budget 2011. When compared to 2008, the last year in which VIA did not incur an operating shortfall, the deficit consists of: (i) \$14 million of lower revenues; (ii) \$2 million in greater operating expenses; (iii) \$44 million of greater pension contributions; and (iv) \$38 million of lower government funding.

Capital Funding Between 2011 and 2015

In this Corporate Plan, two capital programs are described. The \$516 million medium-term capital program, approved by the government in June 2007 and the \$407 million stimulus funding approved as part of Budget 2009: Canada's Economic Action Plan.

Over the planning period, VIA forecasts to spend approximately \$497.1 million of capital funding (including reallocated capital funding and excluding sustainable capital funding after 2011), of which \$335.5 million was provided in Budget 2007, \$127.6 million was provided in Budget 2009, \$24 million will be sourced from VIA's own ARF and \$10 million reallocated from surplus operating funding.

Of the \$497.1 million, \$236.2 million will be invested in major rail infrastructure in order to enhance safety, improve reliability, increase capacity and introduce new train frequencies on the Quebec City – Windsor corridor.

The \$407 million provided through Canada's **Economic Action Plan** must be spent before April 2012. VIA expects that all of the Economic Action Plan funding will be spent by the required deadline.

Funding of \$51.9 million has been allocated to Other Capital in 2011 for essential basic capital expenditures. VIA anticipates that minimum Other Capital requirements beyond 2011 will amount to \$240 million, or \$60 million per year, all of which is currently unfunded. This Corporate Plan includes the benefits derived from \$11 million of other capital in 2011 transferred from future infrastructure investments and this plan assumes that minimal other capital funding be provided for the years 2012 to 2015.

Issues and Risks

VIA has identified a number of issues and risks over the planning period. A brief description of these risks is provided below.

- **VIA is forecasting to incur a \$300.8 million operating funding shortfall over the planning period.** There are no operational changes that would permit VIA to maintain its present operations without additional funding. This stems from the fact that VIA's reference levels for 2012 and 2013 were established before the recession of 2008 reduced revenues and put the pension plan into a deficit position.

- **VIA is forecasting to incur a \$240 million capital funding shortfall in 2012 and beyond.** While VIA has received funding for major equipment and infrastructure projects, no funding was provided for on-going capital beyond 2011. VIA projects a \$240 million deficit in on-going capital funding over the planning period.
- **VIA is seeking to re-profile \$118.1 million out of 2010/2011 into future years.** Should the re-profile not be approved, VIA would not be in a position to complete major equipment and infrastructure projects and would be liable to pay penalty payments to suppliers. Should the re-profile not be approved, almost all of the benefits of the \$923 million capital program would be jeopardized.
- **VIA expects to contribute a total of \$232 million in past and current service contributions to its pension plans between 2012 and 2015.** These contributions will affect VIA's operating performance over the planning period, unless long-term bond yields return to "normal" levels.
- **Fuel prices continue to remain unpredictable,** even with an effective hedging policy in place. During the first half of 2008, the price of WTI surged to \$147 USD a barrel and is now entrenched around \$100 to \$120 USD. VIA's fuel costs in 2010 were \$44.5 million, up from \$37.1 million in 2007.
- **The LRC and Renaissance car rebuild projects are currently behind schedule.** Major delays could encumber VIA's capacity to realize revenue benefits and costs savings included in this corporate plan's operating budget.
- **Any major delay in infrastructure projects or increase in project costs would adversely affect VIA's financial performance.** In order to mitigate the risk of a delay, VIA's project managers monitor project progress, contingencies have been included in project budgets and VIA's Executive Capital Steering Committee and the Board of Directors regularly reviews the status of infrastructure projects.

Major Risk Quantification and Mitigation

Although VIA received additional operating funding in Budget 2011, the operating shortfalls in 2012 and beyond remain unfunded. VIA will work with Transport Canada in order to develop a long term solution to VIA's operating deficits, but will need to seek additional operating funds if the present train network is to be retained.

Further, in order to ensure that VIA has the capital funding required to deliver its mandate, the corporation will work with Transport Canada to ensure that adequate Other Capital funding is provided to sustain VIA's train network beyond 2012.

Diesel fuel is a significant cost element for VIA and is the most volatile. VIA will partially offset much of the fuel price fluctuation through hedging activities. In 2010, 80 percent of VIA's fuel consumption was hedged at an average hedged price of \$107 USD per bbl of diesel (not crude). For every \$5 variation in the price of diesel in 2010, VIA's

operating cost increased/ decreased by \$0.65 million. A similar approach is in place for 2011 and beyond.

In order to improve revenues, VIA will optimize train operations between Montreal, Ottawa and Toronto, as discussed in section 4.6.4 of this Plan.

As mentioned above, the LRC and Renaissance car projects are behind schedule. VIA has reviewed the production schedule with the supplier and revised the production timelines. According to the new schedule, both projects will not be completed by the original end date. In order to mitigate the risk that the project will be further delayed, VIA will continue to monitor production progress and may exercise its right to penalty payments or other measures should the projects continue to be delayed.

1. MANDATE

VIA Rail Canada operates the nation's passenger rail services on behalf of the Government of Canada, providing intercity passenger services and maintaining regional and essential remote passenger rail transportation. The Corporation's objectives are to manage and 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 created in 1977 as a subsidiary of Canadian National Railway (CN). VIA then became a Crown Corporation in 1978 and was incorporated under the *Canada Business Corporations Act* and does not have its own enabling legislation. VIA is a Schedule III, Part I Crown Corporation, appropriation-dependent and not an Agent of Her Majesty.

With the creation of VIA, 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 it does not own.

2.2 VIA's Train Service Network

VIA operates Canada's national intercity passenger rail service. The corporation's train network spans the country from the Atlantic to the Pacific and from the Great Lakes to Hudson Bay and carried more than 4.1 million passengers in 2010.

VIA's train services comprise up to 497 trains per week that operate over approximately 12,500 kilometres of infrastructure. Conceptually, VIA's train services can be divided into three categories:

1. Corridor trains: 429 trains per week operating between Quebec City and Windsor.
2. Longhaul trains: 12 trains per week that operate between Montreal and Halifax and 6 trains per week that operate between Toronto and Vancouver.
3. Mandatory trains: 50 trains per week throughout Canada that maintain essential passenger train services to designated communities, some without alternative year-round transportation access.

2.3 VIA's Rail Infrastructure

VIA has Train Services Agreements (TSA) with the major and shortline freight railways that inform 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 over which VIA operates is owned by shortline railways. Unlike the major freight operators, the shortline railways do not have the financial capacity to adequately invest in their railway infrastructure in order to allow VIA to maintain passenger train speeds. As a result, the on-time performance of VIA's remote train services has deteriorated substantially in recent years.

2.4 Station and Maintenance Facilities

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

VIA owns most of its station network, although access to the two most important stations in Toronto and Montreal are leased. In most cases, the day-to-day upkeep and long-term maintenance of these buildings are VIA's responsibility.

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

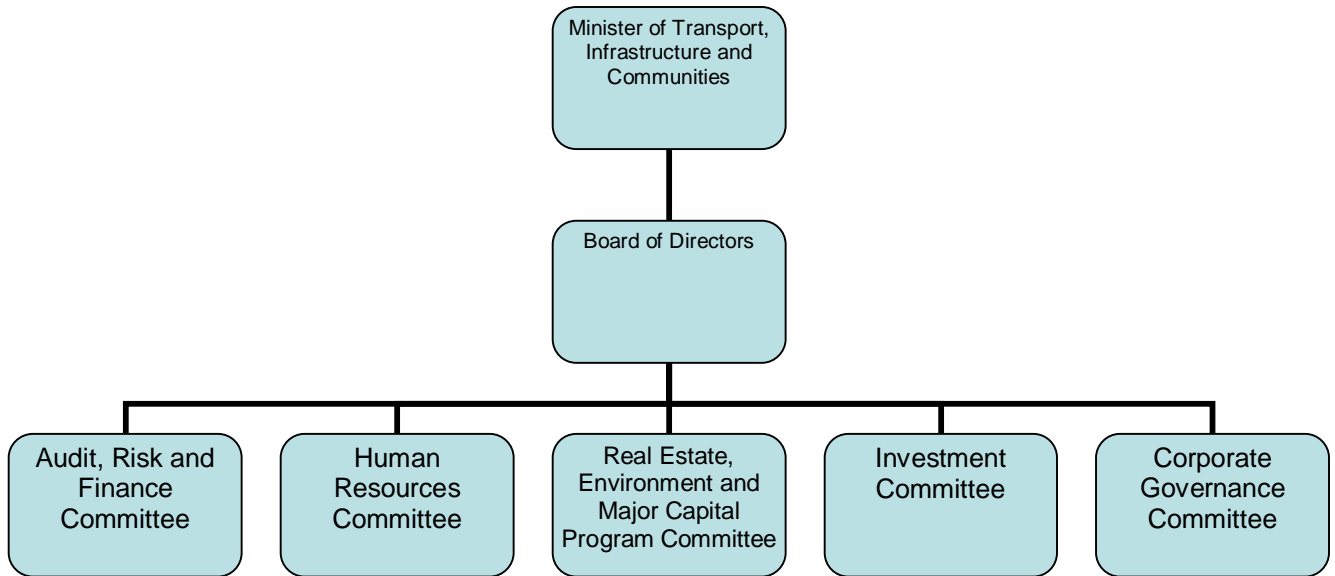
2.5 VIA's Organizational Structure

An independent Board of Directors governs VIA. Board members are appointed by the Governor in Council on recommendation of the Minister of Transport, Infrastructure and Communities.

The Board is assisted in oversight by four committees of the Board. The committees of the Board consist of: (i) the Audit, Risk and Finance Committee; (ii) the Human

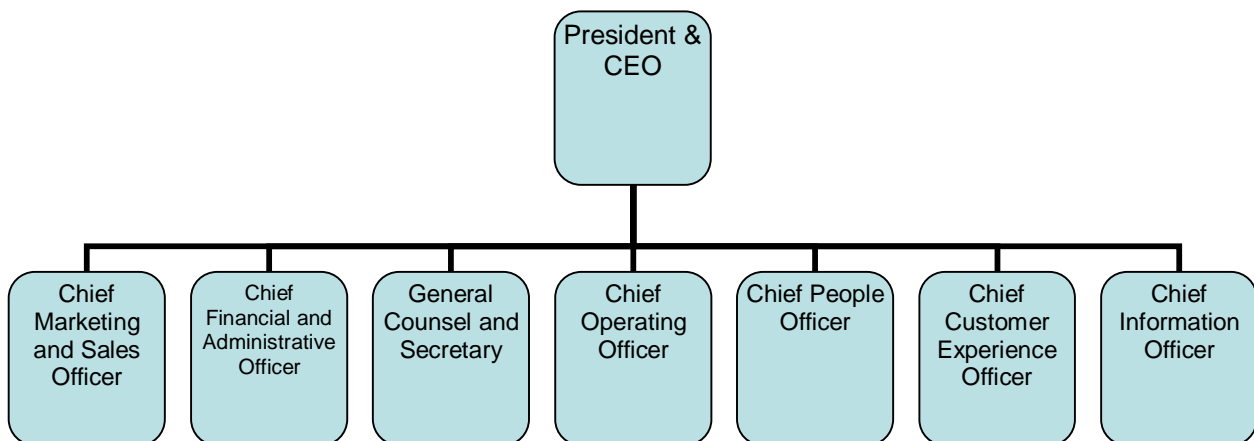
Resource Committee; (iii) the Investment Committee; (iv) the Corporate Governance Committee; and (v) the Real Estate, Environment and Major Capital Program Committee.

An organizational diagram of VIA's Board Committee structure is included below.



VIA's President and CEO is appointed by the Governor in Council on recommendation of the Minister of Transport, Infrastructure and Communities. VIA has seven Chief Officers that report directly to the CEO and are appointed by a special committee of the Board.

Below is an organizational diagram illustrating VIA's management structure



2.6 VIA's Management Plan

VIA's management plan, *Make the Difference*, articulates the corporation's Vision and Mission, as well as guiding principles. The guiding principles provide a framework for the behaviour of the organization over the next few years and ensure that VIA's mission and corporate objectives are understood by all of its 2,875 employees. Key performance indicators, linked to six goals, described in Section 2.5.3 are central to tracking performance by activity and by region.

2.6.1 Vision and Mission

VISION

We will offer the best travel experience in Canada.

MISSION

We work together to exceed customer expectations every time.

2.6.2 Guiding Principles

These guiding principles serve as VIA's corporate paradigm, and articulate a code of conduct for the organization.

- I focus on the customer.**
- I take action and am accountable.**
- I am flexible and contribute to change.**
- I make the difference.**

2.6.3 Key Performance Indicators

VIA's performance measurement framework consists of six key performance indicators which are monitored on a monthly basis as part of VIA's Management Committee meetings (Management Committee is comprised of VIA's executive management and is chaired by VIA's President and CEO). In particular, VIA's six key performance indicators are:

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

The indicators are monitored monthly by VIA's senior management and results are published monthly on VIA's Intranet. Regular information sessions are held as a forum for discussion between management and employees in order to discuss VIA's strategies, performance and results. This ensures that every employee is aware of the key

measurements and how everyone contributes to VIA's objectives and success. Table 9 of the Financial Tables at the end of this plan includes information on a number of performance indicators over the planning period.

2.7 History of VIA's Financial Performance

A brief summary of VIA's financial performance and highlights of operational efficiencies achieved since 1990 are provided below (1990 is used as a reference year as VIA's has operated its current train network since that year):

- VIA's Government operating funding was reduced by 36 percent between 1990 and 2010, from \$410 million to \$262 million. In real terms, the funding reduction was much greater because VIA had to absorb 20 years of inflation.
- Operating expenses have increased marginally, from \$493.3 million in 1990, to \$535.9 million in 2010, an increase of 8.6 percent. However, inflation amounted to approximately 60% over the same period (compounded).
- Total revenues have increased by 92 percent, from \$142.8 million in 1990 to \$274.4 million in 2010.
- Cost recovery has increased by 75 percent, from 28.9 cents to 51.6 cents of revenue earned per dollar of cash operating expenses (cost recovery peaked at 64.5 cents of revenue earned per dollar of cash operating expense in 2002). VIA's calculation of its cost recovery ratio does not include restructuring expenses or depreciation, but includes pension costs that have significantly increased since the 2008/09 recession. Cost recovery is an indicator of operational efficiency.
- Employee headcount was reduced by more than one-third, from approximately 4,500 in 1990 to less than 2,875 in 2010.

In order to address more recent challenges, VIA continues to strengthen its governance structure and improve its financial performance. More specifically:

- VIA has consistently achieved excellent customer service results as a result of its focus on the customer experience. In 2010, 44.4 percent of VIA's customers indicated that their trip expectations were exceeded. In total, consistently 97 percent of passengers respond to surveys expressing satisfaction with VIA's service.
- VIA adopted a new, more responsive passenger revenue management approach in order to further grow revenues.
- In December 2008, VIA introduced a redesigned schedule for the *Canadian* to address deteriorating on-time performance and revenue loss. On-time performance improved dramatically and consequently, customer satisfaction improved. In addition, expenses related to late trains were significantly reduced.

- The major portion of track (79 percent) over which VIA operates is owned by CN. As at January 1, 2009, VIA entered into a renewed Train Services Agreement with CN. This agreement is in effect for ten years and reflects modifications that suit both parties, with increased incentives designed to improve on-time performance.
- To address the revenue decline and pension cost increases resulting from the recent recession, VIA has rigorously introduced cost reduction and productivity initiatives, and recently reduced management and administrative staff by more than 12 percent.
- With respect to capital investment, in 2007 a \$516 million infusion of capital funding was approved for VIA. The more significant items in this capital program include infrastructure investment, equipment rebuilds, station upgrades, and information technology investments.
- In addition, in 2009 \$407 million (\$387 million in capital funding and \$20 million for operating funding for major maintenance – MOS) in stimulus funding was provided under Canada’s Economic Action Plan (EAP), resulting in a total infusion of funding of \$923 million. This is the largest infusion of capital funding in VIA’s history.
- Governance has been improved at all levels of the corporation, resolving auditors’ concerns and fulfilling their recommendations, including those of the Auditor General of Canada.

2.8 Asset Renewal Fund

The Asset Renewal Fund (ARF) consists of financial assets administered by professional asset managers based on an investment policy approved by VIA’s Board of Directors. The ARF is audited each year by external auditors. A Treasury Board decision requires VIA to seek concurrence from the Minister of Transport and President of the Treasury Board in order to access funding from the ARF. While the ARF was intended as a means to allow VIA to maintain an internal source of funding to bridge capital shortfalls or unexpected capital expenses (e.g. the purchase of abandoned track or land), with the approval of the Treasury Board it also has been used to cover operating shortfalls.

The following table outlines the funding sourced from the ARF since its inception:

Year	Operating	Capital
1998	\$15.2M	\$18.3M
1999	\$ 5.6M	\$10.9M
2004	\$ 7.7M	
2005	\$ 6.9M	\$20.5M
2006	\$ 9.4M	\$14.5M
2009	\$35.0M	
2010		-

At the time of writing, the funding in the ARF has been mostly committed. However, due to continuous improvements in the value of the Asset Backed Commercial Paper held in the ARF, VIA is seeking the authority to withdraw up to \$5 million in 2011/2012 and

2012/2013 from the ARF to offset new funding pressures or essential projects that could arise during that period. Further information on the ARF is included in Table 4 of the attached Financial Tables.

3. CURRENT YEAR (2010)

3.1 Operating Performance in 2010

VIA experienced a substantial drop in ridership and revenue in 2009 due to the 2008/2009 worldwide recession. In-line with Canada's economic recovery, VIA's revenues in 2010 have stabilized and are beginning to improve relative to the 2009 budget. In particular, passenger revenues in 2010 were \$258.2 million, \$2.2 million greater than the Budget included in the 2010-2014 Corporate Plan and \$7.9 million greater than 2009. The revenue improvement to date is attributable to higher yields (revenues per passenger miles), as passenger volume is not yet growing.

In 2010, total operating expenses including pension were \$535.9 million, \$16.8 million lower than budget, but \$9.8 million greater than 2009. The increase in operating expenses compared to 2009 is entirely due to pension contributions to offset the past service deficit which were not required in 2009. Excluding pension contributions, VIA's operating costs have not increased since 2009, despite two years of inflation.

Corridor

In the Quebec City – Windsor corridor, revenues in 2010 were \$193.4 million, an improvement of \$3.1 million compared to 2009. Although revenues generated by corridor train traffic performed poorly in early 2010, revenues have improved consistently since April 2010.

The revenue improvement can be attributed to: (i) more systematic pricing and yield management strategies; and (ii) an improving economy following the 2008/2009 recession.

Further, VIA is more rigorously managing the number of passenger cars per train to ensure a more efficient utilization and to reduce operating expenses. In particular, VIA limits the number of passenger cars per train on a selected basis in order to better align capacity and demand and reduce maintenance and other operating costs.

As part of an initiative to further improve revenues generated in the corridor, VIA will make changes to train services between Montreal, Ottawa and Toronto. These changes are further described in Section 4.6.4.

Longhails

In 2010, revenues from the *Canadian* amounted to \$38.4 million, \$3.0 million greater than in 2009. In 2010, revenues from the *Ocean* were \$15.5 million compared to a budget of \$16.9 million and \$15.9 million in 2009.

Mandatory

Revenues from VIA's remote and regional train services in 2010 were \$5.1 million, \$0.3 million worse than in 2009 and \$0.1 million worse than budget. The cost recovery ratios of these train services average below 20 percent and their revenue growth potential is minimal.

3.2 2010 Business Environment

According to the Conference Board of Canada's Travel Markets Outlook for March-April 2011 Domestic Travel, growth prospects have improved compared to early 2010, in-line with improvements to Canada's macroeconomic context. Some of the anticipated domestic travel growth will be offset by the strong value of the Canadian dollar, which is encouraging Canadians to travel abroad and keeping some foreigners from visiting Canada and travelling by train. Additionally, higher oil prices will likely raise the cost of travel over the next few months, which is relatively advantageous to VIA as travel by car is more fuel price sensitive than rail.

In the period following the 2008/09 recession, consumer confidence, as measured by The Conference Board of Canada's Monthly Index of Consumer Confidence, peaked at 96.6 (2002=100) in January 2010 but declined to 83.7 by March 2011. Consumer demand is expected to drive Canadian travel spending in 2011, initially by favoring outbound trips. The fortunes of Canadian airlines have improved significantly in 2010, as Air Canada and WestJet both reported solid operating income for the fourth quarter and full year of 2010.

However, according to the Canadian Tourism Commission (based on a new study by American Express Business Travel) the economic recession in 2008-09 has changed business travel. Specifically, business travel demand remains below pre-recession levels as businesses continue with their cost containment practices that were necessary during the recession and are now used to using technology to reduce their need for travel and face-to-face meetings.

3.3 Capital Expenditures in 2010

VIA's capital budget was \$350.5 million for 2010 and comprised of \$211 million of stimulus funding, \$129.5 million of Budget 2007 funding and \$10 million of ARF funding. VIA spent a total of \$268.6 million of capital funding in 2010. VIA will seek to re-profile capital funding of \$118.1 million from 2010/2011 into future years. The delay in capital investment is mainly due to delays in spending on CN infrastructure between Montreal and Toronto as well as the LRC car project. Spending on the infrastructure

project has been delayed due to the lengthy negotiations of an agreement with CN as well as the lengthy process required to expropriate a parcel of land near Marysville, Ontario. Further, Industrial Rail Services Inc, the LRC car project supplier, experienced significant start-up delays which also contributed to lower spending in 2010. The status of VIA's capital projects are further described in Section 5 below.

3.4 International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are some significant differences in recognition, measurement and disclosure requirements.

In December 2009, the Public Sector Accounting Board (PSAB) issued an amendment to the Introduction to Public Sector Accounting Standards of the PSA Handbook. This amendment eliminated the Government Business Type Organizations (GBTO) classification and entities currently classified as a GBTO are required to re-assess their classification.

Under the revised introduction, VIA is classified as an Other Government Organization (OGO). As an OGO, the Corporation has determined the most appropriate basis of accounting to meet the needs of the users of its financial statements are the International Financial Reporting Standards. The Corporation has adopted the IFRS for its fiscal year beginning January 1, 2011.

The Corporation has completed the planning and diagnosis activities of its transition plan and has substantially completed the analysis and design of accounting policies phase. The Corporation is currently implementing the action plan developed in the analysis and design of accounting policies that involves the creation of new accounts and financial statements models, system changes and process changes. The transition from current Canadian GAAP to IFRS is a significant undertaking that will affect how the Corporation reports its financial position and results of operations. The transition will not affect government funding.

4 Overview of 2011-2015 Operating Budget

Over the planning period, VIA forecasts that it will incur an operating funding deficit of \$300.8 million against a total operating budget of \$2,704.3 million. VIA has developed initiatives to reduce the deficit and will implement these over the planning period. The initiatives are described in section 4.6 of this corporate plan.

4.1 Revenues

Over the planning period, VIA is forecasting a modest recovery in 2011 from the 2008/2009 recession, with ridership levels only reaching 2008 levels in 2013. Competition from airlines remains fierce, especially in the Montreal-Ottawa-Toronto Corridor and, in line with the rest of the travel industry, growing VIA's business travel is expected to remain a challenge.

- Corridor revenues are forecast to increase 18.8 percent over the plan period. Added to this base growth is incremental revenue to be derived from an initiative to improve the financial performance of train services between Montreal, Ottawa and Toronto (described in section 4.6.4). In total, these initiatives are estimated to generate \$184.9 million, or 17.2 percent of the base Corridor revenue over the plan period.
- With respect to Longhaul Services, higher yields will achieve revenue growth of 15.1 percent over the planning period. Further, a significant number of HEP 1 cars assigned to the *Canadian* will have undergone interior upgrades. In addition, 12 completely refurbished and modernized cars will allow VIA to introduce a deluxe level of service on the *Canadian*.

VIA will also grow revenues through upgrades to the revenue management system, including a new technology component, a new reservation management system and an on-train services IT network that will result in increased on-board sales and higher productivity and customer service using mobile, handheld technology.

4.2 Expenses

VIA's operating expenses over the plan period will be affected by the following elements:

- The requirements to make \$280 million in pension fund contributions over the planning period. These contributions are further described in Section 4.5 below.
- Fuel prices are a significant portion (approximately 8 percent) of VIA's expenses and they are difficult to predict, given the volatility of the price of fuel over the past several years. This is more fully discussed in Section 7.4 below.
- The charges under the Train Services Agreement (TSA) represent approximately 11 percent of VIA's total operating expenses or approximately 23 percent of VIA's total revenues in 2010. CN owns the majority of tracks over which most of VIA's most profitable trains operate.
- The introduction of additional frequencies will increase operating costs but these will be more than offset by additional revenues. The new frequencies are further described in section 4.6.4 below.

4.3 Pension Contributions

In the 2010-2014 Corporate Plan, VIA estimated that contributions of \$125 million would be required to fund the pension deficit over the planning period. However, based on the results of an actuarial valuation conducted by VIA's actuaries in late 2010/early 2011 that is reflective of the historically low long-term interest rates used to calculate pension liabilities, VIA has revised the forecast of pension costs in this corporate plan to \$280 million. For 2011, VIA forecasts that contributions of \$30 million and \$18 million will be required to offset the past service deficit and current service contributions, respectively. In June 2011, Supplementary Estimates A provided VIA with \$48 million to offset pension funding requirements in 2011/2012. However, VIA expects that a further \$232 million will be required to offset pension costs between 2012 and 2015. These contributions are required in order to offset the pension deficit within five years as required by the *Pension Benefits Standard Act* and OSFI regulation.

Due to the close relationship between interest rates and pension valuations, VIA's pension funding requirements could improve significantly should long term interest rates increase.

4.4 Fuel

VIA's hedging activities add some certainty to future prices and have effectively delayed the impact of rising fuel prices in the past, saving \$34.0 million between 2004 and 2008. Fuel remains a significant portion of VIA's operating costs, representing 10.3 percent of total operating expenses. VIA's projection of fuel costs in 2011 is \$39.6 million, 12 percent lower than \$44.5 million paid in 2010.

In addition to hedging, VIA also continuously strives to reduce the volume of its fuel consumption. New technology that is being installed on its F-40 locomotive and LRC car fleets during the rebuild program, the use of dynamic braking, and the layover shutdown of the locomotives will have a positive effect on fuel consumption. In addition, VIA has been able to reduce the number of locomotives that operate on the *Canadian* due to the new schedule introduced in 2008.

4.5 Passenger Revenue Shortfall

The 2011-2015 Corporate Plan, forecasts passenger revenues of \$1,659.6 million, between 2011 and 2015.

VIA has developed an efficient and market-based strategy to increase frequencies in the Corridor by adding more trains between Ottawa and Toronto as per an agreement with CN and by converting some Montreal-Ottawa and Ottawa-Toronto trains into through-trains between Montreal and Toronto, thus effectively creating more Montreal-Toronto trains. Further, existing trains travelling between Montreal and Toronto will be converted into express or semi-express trains with faster trip times.

4.6 Initiatives to Reduce the Operating Deficit

Assuming that sustainable ongoing capital funding is provided to the corporation, VIA has developed a number of initiatives that will reduce costs and improve revenues. These initiatives would improve VIA's operating performance between 2011 and 2015.

Notwithstanding these improvements, VIA expects to incur a funding shortfall of \$300.8 million over the period covered by this plan. The initiatives include increasing and optimizing train services between Montreal, Ottawa and Toronto, additional revenues from real estate projects, information technology improvements that will enable revenue growth and operational improvements. In addition, VIA will work with the Government of Canada and the Governments of Quebec and Ontario, in order to promote the use of VIA's train services for business travel by Government employees, which reflects the intent of the Plan for Returning to Balanced Budgets included in Chapter 5 of Budget 2011.

4.6.1 Productivity

This corporate plan includes savings related to attrition, lower salary expenses, better management of locomotives and passenger cars and initiatives to improve the profitability of on-train services.

4.6.2 Operational Improvements-Equipment

VIA expects to realize savings as a result of equipment improvements. The improvements include lower costs related to equipment maintenance, reduced major maintenance expenses and greater fuel efficiency for VIA's rolling stock as a result of the rebuild and major maintenance of equipment funded by the \$923 million capital investment program.

4.6.3 Information Technology

VIA will also proceed with a number of IT investments over the planning period which will reduce costs and improve revenues. The IT investments include improvements to VIA's Revenue Management, Reservation systems, on-train Wi-Fi services and other systems.

Further, in order to more aggressively grow revenues and better capitalize on market opportunities, VIA will improve the systems and processes used to develop and implement the corporation's pricing strategies as part of the Revenue Management project. In particular, the corporation will improve the methodology used to allocate passenger seats to different fare classes, which will enable VIA to improve revenues for both high and low demand trains, by market, by train, by day of week, etc. For example, VIA will be in a better position to ensure that fare discounts are applied consistently to trains with low demand and that fares for busier trains reflect the fact that these trains are in greater demand.

However, without additional capital funding VIA will not be able to move forward with these investments.

4.6.4 Operational Improvements -Infrastructure

VIA judges that the greatest potential for revenue growth lies in improving train services between Montreal, Ottawa and Toronto.

VIA has developed a strategy to improve revenues and reduce the operating deficit in the short term. Specifically, VIA proposes to increase the number of train frequencies between Ottawa and Toronto by mid-2012 and then convert most Montreal-Ottawa and Ottawa-Toronto trains into through-trains between Montreal and Toronto. Further, select trains travelling between Montreal and Toronto would be converted into express trains or semi express trains, resulting in an improvement in the average trip time between Montreal and Toronto.

VIA estimates that these additional frequencies will generate approximately \$44 million in net revenues (net of incremental operating costs) over the planning period, of which VIA expects \$1 million to accrue in 2011. The table below provides further detail on the net impact of the additional frequencies.

	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2011-2015</i>
Revenues	1.0	17.0	44.0	50.0	52.0	164.0
Expenses		18.0	33.0	34.0	35.0	120.0
Operating Net	1.0	(1.0)	11.0	16.0	17.0	44.0

5 Capital Funding Between 2011 and 2015

5.1 2011-2015 Capital Budget

Budgets 2007 and 2009 provided VIA with \$903 million of capital funding. In this Corporate Plan the \$516 million of Budget 2007 funding, is referred to as the medium term capital program. When referring to both capital programs as a whole, they are referred to as the \$903 million capital program (this excludes the \$20 million included in operating funds in the Economic Action Plan for major maintenance, which is consider as operating funding under current accounting rules). This \$903 capital program represents the largest infusion of capital funding since the 1980s. These investments will contribute to VIA's viability, sustainability and growth.

As indicated in the attached Financial Tables, VIA is seeking to reprofile \$118 million over the 2011-2015 planning horizon in order to reflect the revised forecast of capital outflows, which have changed as a result of delays in some projects. None of the funding being reprofiled is EAP funding. VIA forecasts to spend all of the budgeted \$189 million provided through the Economic Action Plan (EAP) in 2010/2011.

5.2 Equipment

In the \$903 million capital program, \$288.5 million is allocated towards major equipment projects, of which \$220.7 million was provided in the \$516 million capital program and \$67.8 million was provided in the \$407 million Economic Action Plan. Further detail on each major equipment project is provided below.

5.3 Rebuild of 54 F-40 Locomotives

In the \$516 million capital investment program funding was allocated to rebuild the fleet of 54 F-40 locomotives. In addition to rebuilding the engine and auxiliary systems, environmental enhancements are also being installed in the locomotives. These modifications will result in significant fuel savings and reduce greenhouse gas emissions (GHG's). In particular, the more efficient locomotives will reduce fuel consumption by five million litres per year resulting in a \$4.5 million reduction in VIA's fuel costs. Further, the installation of an auxiliary generator, rebuilt engine and new electronic controls will increase horsepower and allow VIA to increase the power output and the car to locomotive ratio. Likewise, the rebuild will make the locomotives more reliable, reduce equipment based delays as well as equipment related maintenance costs.

The first rebuilt F-40 locomotive was delivered in April 2009 and the last locomotive is scheduled to be delivered by the end of 2012.

5.4 Rebuild of 98 LRC Cars

Funding was provided to VIA in Budgets 2007 and 2009 to rebuild 98 LRC cars. The most significant benefits of rebuilding these cars are: (i) the extension of their useful life by 15 to 20 years; (ii) savings from lower regular and major maintenance; (iii) increased reliability; (iv) enhanced passenger comfort due to refurbished interiors; (v) two-and-one seating in business class; and (vi) environmental enhancements, such as the installation of LED and compact fluorescent lighting, a light dimming system, and more efficient and sensitive HVAC (heating, ventilation, air conditioning) controls. This project is critical for VIA, as the LRC fleet generates about 50 percent of VIA's revenue.

The tender to rebuild the LRC cars was awarded to Industrial Rail Services Inc. (IRSI) of Moncton, New Brunswick in April 2009.

5.5 HEP I (Head End Power) Modernization – Phase I

VIA's active HEP I car fleet consists of 173 cars, of which 87 will benefit from investments made as part of the \$923 million capital and overhaul program (these 87 cars comprise the entire car fleet allocated to the *Canadian*). In particular, the following investments will be made:

1. An overhaul of the mechanical systems of 78 HEP I cars, which will be funded from \$20 million of major maintenance Master Overhaul Schedule (MOS) funding

provided in Budget 2009. The mechanical system overhaul will be completed at VIA's Montreal Maintenance Centre.

2. The redecorating of 45 of the above 78 cars with a modern design including new carpets, upholstery and wall coverings and an in-kind interior upgrade of the remaining 30 cars, will also be funded from the \$20 million of major maintenance funding provided in Budget 2009. VIA will complete this work at its Montreal Maintenance Centre.
3. The complete redesign and rebuild of eight Chateau sleeping cars and four Park cars. This modernization is required to meet the strong competition in the luxury travel market. The funding for the redesign and rebuild was provided in Budget 2009 and Budget 2007. A contract to redesign and rebuild eight Chateau sleeping cars and four Park cars was awarded to Avalon Rail Inc. of Milwaukee, Wisconsin on October 30. This will allow VIA to introduce Deluxe Sleeper class, at a premium cost, on the *Canadian* in 2012.

5.6 Renaissance Cars – Accessibility Improvements and Other Modifications

A brief summary of the Accessibility modifications that will be made to VIA's Renaissance Cars - designed in accordance with the CTA's Code of Practice for Passenger Rail Car Accessibility - is outlined below:

- Three Sleeping Cars will be modified so that each of the three trainsets assigned to the *Ocean* will have an Accessible bedroom.
- On each of the Renaissance Corridor trains, as well as on each of the *Ocean* trainsets, one coach car (nine cars) will have a large Accessible washroom.
- Every coach car (47 cars) will be modified in order to provide sufficient space for those traveling with service animals.
- Also in all 47 coaches, at least two additional moveable aisle armrests on the double-seat side will be installed. The moveable aisle armrests allow for a better ease of entry into the seat for mobility impaired individuals.

5.7 Rail Diesel Cars (RDC)

VIA has six Rail Diesel Cars (RDC) that are assigned to the Victoria-Courtenay and Sudbury-White River services. Budget 2009 included funding to rebuild VIA's RDC fleet.

5.8 P-42 Locomotives

VIA's fleet of 21 P-42 locomotives have been in service for almost 10 years and have operated well over one million miles each. Due to the extensive use, VIA must perform an overhaul of the P-42 locomotives. The funding for the overhaul was provided as part of the major maintenance component of the funding made available to VIA in the Economic Action Plan.

The overhaul has been completed at VIA's Montreal Maintenance Facility and has resulted in the replacement, overhaul, or the repair of many major components of the locomotive and will improve reliability and efficiency.

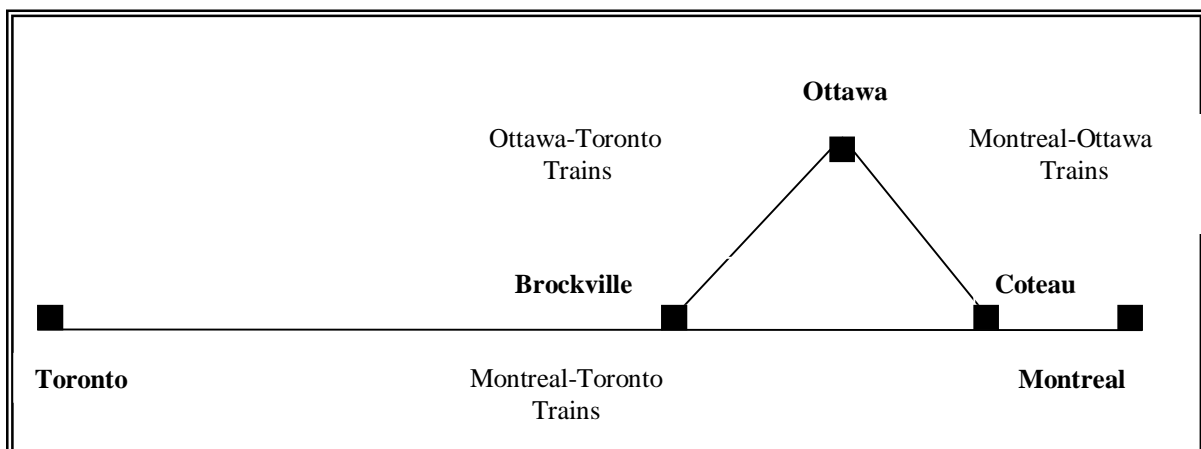
5.9 Infrastructure

In the \$903 million capital plan, funding is allocated to enhance safety, improve reliability, increase capacity and effectively reduce trip times in the Quebec City-Windsor Corridor. Further detail regarding specific infrastructure projects is provided in the subsections below.

5.9.1 Montreal - Ottawa - Toronto

VIA believes that its long-term viability rests with improving and growing passenger rail service in the Montreal – Toronto – Ottawa triangle, which accounts for approximately half of VIA's revenue and has the greatest growth potential. The figure below provides a conceptual outline of VIA's Montreal – Ottawa – Toronto operating triangle with key rail junction points.

VIA's Montreal-Ottawa –Toronto triangle



Brockville - Toronto

In October 2009, VIA concluded an agreement with CN to add long sections of triple track between Brockville and Toronto. The additional track will eliminate bottlenecks and reduce delays caused by conflicts between VIA trains and freight trains.

The total cost of the agreement concluded with CN regarding rail infrastructure investments between Brockville and Toronto is \$317.9 million (this amount includes a small portion of non-CN related costs). In addition, VIA expects to spend \$50 million to fund station investments between Brockville and Toronto. As a result, total investments between Brockville and Toronto are expected to amount to \$367.9 million.

VIA has developed an optimized operating model, described in section 4.6.4, for the Montreal-Ottawa-Toronto triangle that will be implemented once the current investment is completed between Brockville and Toronto (Phase 1A).

5.9.2 Ottawa - Toronto

VIA will invest in Centralized Traffic Control systems, fencing and additional sidings on the infrastructure between Ottawa and Brockville. Some delays to this project have been incurred related to the delay in reaching an agreement with CN for the purchase of the 13 miles of railtrack between Federal Junction and Richmond on the Smiths Falls Subdivision. Funding for the purchase was not provided in Budget 2007 or Budget 2009, but was sourced from a reallocation of existing capital funding, which was approved in the 2010-2014 Corporate Plan.

This project will result in the elimination of non-signaled territory on the entire length of the CP Brockville and CN-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 additional frequencies to this service.

5.9.3 Montreal – Toronto

As discussed in Section 5.9.1, VIA has concluded an agreement with CN regarding investments in rail infrastructure between Brockville and Toronto.

As part of the new train service strategy in the Montreal-Ottawa-Toronto triangle, VIA will convert some existing trains travelling between Montreal and Toronto into express and semi-express trains resulting in trip time improvements between Montreal and Toronto.

5.9.4 Montreal – Ottawa

Funding was budgeted to perform infrastructure improvements on the VIA owned track. In 2010, work to install a passing track near Carlsbad Spring and upgrade the jointed rail and Centralized Traffic Control (CTC) systems between Coteau and Ottawa was completed.

The new passing track and jointed rail have resulted in effective trip time improvements between Montreal and Ottawa.

5.9.5 Montreal – Quebec City

In April 2010, VIA reduced trip times between Montreal and Quebec City. In particular, VIA's best trip time between Montreal and Quebec City was reduced by 20 minutes and Train 21 now has an earlier departure time in order to better meet the needs of business travelers. Further, VIA plans to create a fifth Montreal-Quebec City frequency by combining an eastern transcontinental train (the *Ocean*) with a new Corridor train connecting Quebec City and Montreal and continuing through to Ottawa and Toronto.

5.9.6 Toronto – London (Guelph-North Main Line)

Funding has been allocated to improve the infrastructure on CN's North Main Line in southwestern Ontario (between Toronto and London via Kitchener). The Guelph Subdivision is non-signaled territory. This investment will eliminate all non-signaled territory, improving safety on the North Main Line.

The Guelph Subdivision is operated and maintained by the Goderich-Exeter Railway (GEXR), owned by RailAmerica, which leases the infrastructure from CN. GEXR has advised VIA that it will not allow any investment on the infrastructure until a Train Services Agreement is concluded. VIA requested adjudication of the TSA by the Canadian Transport Agency under Section 152 of the Canada Transportation Act. On April 15, 2011 the Canadian Transportation Agency issued a decision regarding the TSA which will enable VIA to move forward with negotiating an agreement to improve signaling and safety on the North Main Line.

5.9.7 Toronto-London -Windsor via the South Main Line (Chatham)

Funding has been allocated to the Chatham Subdivision to perform infrastructure improvements on VIA's and CN's track. The investment in this project will result in the installation of a Centralized Traffic Control (CTC) system which will eliminate non-signaled territory, upgrade all automatic warning device systems for compatibility with CTC, replace bolted rail with continuous welded rail; and perform roadbed and track repairs.

5.9.8 Niagara Falls Whirlpool Bridge

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

In 2005, the Commission started major repairs to the 110-year-old bridge to keep it in a safe condition. VIA is in the process of negotiating an access agreement with the Bridge Commission.

6. Unfunded Capital and Major Maintenance (MOS) Requirements

This section addresses critical capital funding that will be required in order to ensure the sustainable operation of VIA's train network. VIA will seek, additional capital funding, from the Government of Canada's, in order to bring the corporation's capital asset base to a State of Good Repair and maintain it in such a state.

6.1 Ongoing Capital Requirements

VIA's ongoing capital funding, referred to as Other Capital in the attached financial tables, will be depleted by 2012 resulting in no funding for essential sustainable capital requirements in 2012 and beyond.

It is critical that sustainable capital funding be provided to address the need for capital investments in regulatory health, safety, environment, security and basic operations beyond 2011.

VIA has assessed the funding required in order to bring the corporation's asset base to a State of Good Repair. VIA has defined State of Good Repair as a state when no maintenance backlog exists and physical assets are functioning within their useful life and are providing customers with a reasonably competitive product. VIA's definition of State of Good Repair is consistent with definitions used by commuter railways and other passenger railway operators including Amtrak. Currently a significant portion of VIA's assets are not in a State of Good Repair and significant investments are required in order to offset a backlog of deferred investments and new ones that arise frequently.

Based on VIA's assessment additional sustainable capital funding of \$60 million per year will be required between 2012 and 2015. This is exclusive of any major investments to improve VIA's services, major maintenance (Master Overhaul Schedule), which is captured in VIA's operating budget, or equipment accident repairs.

Without sustainable capital funding VIA will not be in a position to fulfill its mandate. In particular, VIA will not be able to address serious health, safety and environmental issues as well as other critical investments in equipment, infrastructure, stations, tooling, maintenance systems and facilities, over the planning period. Further, VIA would not

have funding to invest in IT systems such as an improved reservation and yield management system. These systems would enable VIA to improve productivity and grow revenues, reducing the requirement for Government subsidies over the long term.

7. ISSUES AND MAJOR RISKS

This section outlines the issues and risks that the corporation will face over the planning horizon and describes the corporation's strategies to mitigate these risks.

7.1 2011-2015 Operating Funding Gap

At the time of writing, VIA is forecasting to incur a \$300.8 million operating funding shortfall over the planning period. VIA has developed and is in the process of implementing a number of initiatives to reduce the shortfall. The Government's annual base reference level has declined and is now established at \$166 million in 2012 and beyond. VIA anticipates that it can operate within that reference level, excluding pension costs, by 2015. However, to do so, VIA requires \$60 million per year of ongoing capital funding, to operate safely and reliably and maintain its equipment and infrastructure in a state of good repair.

Although VIA received additional operating funding in Budget 2011, the operating shortfalls in 2012 and beyond remain unfunded. It is important to note that VIA's approved operating funding was established in 2008 before the effects of the 2008/2009 recession were felt on revenues and the pension fund and are scheduled to decline over the planning period. VIA will work with Transport Canada in order to develop a long term solution to VIA's operating deficits, but will need to seek additional operating funds if the present train network is to be retained.

7.2 2011-2015 Capital Funding Gap

As discussed in section 6.1, it is critical that VIA receive additional capital funding of \$60 million per year in order to address essential investments in equipment, stations, tooling, maintenance systems, facilities, and information technology beyond 2011. The lack of ongoing capital funding is particularly acute given that no funding for on-going maintenance was provided beyond 2011. Without sustainable capital funding VIA will not be in a position to address serious regulatory health, safety, environmental, security, and operational issues over the planning period.

7.3 Passenger Revenues

Compared to 2008, VIA has experienced a substantial decrease in ridership and revenue. In this Corporate Plan, 2011 passenger revenues are budgeted at \$269.7 million, which is less than the 2008 actual passenger revenues of \$282.9 million. Base revenues in this Corporate Plan will not reach this level until 2013. The initiatives described in sections 4.6 and 4.7 will help mitigate the base revenue growth deterioration.

In this corporate plan, VIA forecasts a passenger revenue increase of 46.2% over the plan period. The table below summarizes the assumptions that inform the forecast:

<i>Assumptions</i>	<i>2011</i>	<i>2012-2015</i>
Growth in revenues assumed in plan	Base increase of 2.0 % during the first year of the plan	Base increase rising to 4.0% for the later years of the plan
Corridor Initiatives (including WiFi)	\$3.3 million	\$191.5 million
Revenue Management System and Reservation System	\$2.5 million	\$37.0 million

The rationale behind these assumptions is the following:

- VIA forecasts that recovery from the economic slowdown is slower than anticipated and that fare increases must be applied carefully in the short-term due to the continued fierce competition for market. Full recovery (when volumes match 2008 levels) is expected in 2012 given the various initiatives that must be implemented.

Results during the planning horizon could be affected as follows:

- Passenger **volumes** are expected to grow by **1.5%** in 2011, generating a net revenue increase of \$9.1 million. Every 1% reduction in volume growth will reduce VIA's revenue by \$2.72 million.

7.4 Contributions to Pension Plans

In January 2010, VIA announced changes to its unionized and management pension plan practices which reduced the solvency deficit by \$192 million and reduced the management and administrative costs by \$4 million per year, in order to improve the solvency position of both plans. Notwithstanding these changes, VIA expects to contribute a total of \$280 million in past and current service contributions to its pension plans over the planning period of which \$48 million will be contributed in 2011, subject to prevailing capital market conditions, and \$58 million per year thereafter. It is important to note that pension funding requirements could vary significantly if interest rates change.

VIA does not have an identified source of funds for the \$232 million required, between 2012 and 2015, to eliminate the solvency deficit and fund the current service contributions.

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's hedging activities add certainty to future fuel costs and have delayed the impact of fuel price fluctuations.

For 2011, VIA hedged 74 percent of its fuel requirements, at an average hedged price of \$92 U.S. per barrel. Therefore, given the current hedged position, for every \$5 increase/decrease in the price per barrel of West Texas Crude in 2010, VIA's cost could increase/decrease by **\$0.42 million all else equal**. VIA will increase its 2011 hedging position over time, according to its policy.

Given that contracts used to hedge fuel prices are denominated in USD, VIA also hedges against foreign exchange risk.

For 2011, VIA has hedged 58 percent of its U.S. dollar requirements through its diesel fuel hedges. At the time of writing, VIA estimates that a variation of \$0.05 in the exchange rate will result in an increase/decrease of **\$1 million** in effective fuel costs.

As of the date of writing, VIA is partially hedged for the years beyond 2011. In a non-hedged environment, for every \$5 increase/decrease in the price per barrel of West Texas Crude, VIA's costs could increase/decrease by **\$1.8 million**.

7.6 Negotiations with CN

CN owns 79 percent of the infrastructure over which VIA operates. Therefore, significant portions of the infrastructure investments are contingent on successful negotiations regarding project scope and cost with CN. In order to mitigate the risk that this issue will not be resolved, VIA will optimize train operations between Montreal, Ottawa and Toronto, as discussed in Section 4.6.4, in order to improve revenues and route new train frequencies over VIA owned infrastructure to the greatest extent possible.

7.7 Equipment Rebuild Projects

The LRC rebuild project and Renaissance equipment projects contracted to IRSI are currently behind schedule. In order to mitigate the risk that the LRC car project is not completed on schedule, VIA is working closely with the supplier and has identified a number of contingency plans. This also applies to the Renaissance equipment and RDC improvement projects.

7.8 Infrastructure Projects

Projects to improve rail infrastructure in the corridor are ongoing. Any major delays in infrastructure projects or increase in project costs would adversely affect VIA's financial performance over the period covered by this corporate plan. In particular, any major

delay would impede VIA from introducing the new frequencies assumed in this plan. In order to mitigate this risk, VIA's project managers will monitor the progress of infrastructure projects, contingencies have been included in project budgets to offset cost increases and VIA's Executive Capital Steering Committee and Board of Directors meet regularly to review the status of infrastructure projects.

7.9 Compensation, Wages and Succession

A significant number of VIA's Locomotive Engineers are close to retirement. Replacing these Engineers will result in considerable training costs (over \$100,000 per engineer) under the terms of the CN Transfer Agreement that will expire in approximately two years. At that time, the pool of Locomotive Engineers from CN will no longer be available to VIA. To address the need for this critical manpower, VIA has begun an in-house training program to develop its own pool of Locomotive Engineers.

8. Cost Reductions

8.1 Productivity and Purchasing Initiatives

VIA judges that the cost containment and productivity measures outlined in this Corporate Plan or carried out as part of the 2010-2014 Corporate Plan reflect the intent of the measures to contain the administrative costs of Government outlined in Chapter 4, Plan to Return to Budget Balance of the Government of Canada's Budget 2010.

In particular, VIA's operating expenses, excluding pension costs, have remained constant since 2009 and VIA has absorbed higher salary, fuel and track access payments without increasing operating expenses. VIA reduced the size of its non-unionized workforce by 12 percent, instituted a number of LEAN management initiatives and amended pension plan options in order to reduce pension funding requirements over the planning horizon.

8.2 Train Frequency Reductions and Eliminations

Depending on the level of new funding provided to VIA moving forward, changes to VIA's current train network may be required. The Corporation has assessed reductions and eliminations across the network, following these criteria:

1. Target routes with:
 - low ridership;
 - low potential for growth;
 - alternative rail commuter services; and
 - services that have not benefited from recent capital investments (e.g. no cuts in Montreal-Ottawa-Toronto corridor);
2. Eliminate or reduce regional services where alternate modes are readily accessible and relevant to communities;

3. Do not eliminate service where the train is the only affordable surface mode for some communities (i.e. remotes) but propose reductions that are in line with current demand;
4. Maintain a national network (coast-to-coast); and
5. Propose changes that would improve the efficiency of the network.

9. SPECIFIC APPROVALS REQUESTED

In conformity with the Financial Administration Act and based on government direction to VIA at the time of the Corporate Plan approval, the corporation is seeking:

1. Approval of the first year (2011) of the 2011–2015 Corporate Plan, including the operating and capital funding requirements as summarized in the key financial tables (Tables 1-3).
2. Approval of the 2011 Capital and Operating Budgets.
3. Authority to include an item in the 2011-2012 Supplementary Estimates B, Vote 70, Payments to VIA Rail Canada Inc, for the amount of \$50 million in 2011–2012 to offset the corporation’s operating shortfall.
4. Authority to withdraw up to \$5 million from the Asset Renewal Fund in 2011/2012 and 2012/2013.

FINANCIAL TABLES

VIA RAIL CANADA INC.
2011 - 2015 CORPORATE PLAN SUMMARY
OPERATING FUNDING STATEMENT
(MILLIONS OF DOLLARS)

TABLE 1

VIA FISCAL YEAR ENDING DECEMBER 31ST									
	ACTUAL	ACTUAL	PLAN					TOTAL	% Change
	2009	2010	2011	2012	2013	2014	2015	2011-2015	2015 vs 2010
<u>REVENUES</u>									
Total Operating Revenues	264.9	274.4	285.7	319.4	362.9	380.8	395.3	1,744.1	44.1%
<u>EXPENSES</u>									
Total Operating Expenses	512.3	512.1	511.5	532.4	545.7	553.1	561.8	2,704.3	9.7%
Operating Deficit Before Government Subsidy and Pension Costs	(247.4)	(237.7)	(225.8)	(213.0)	(182.8)	(172.2)	(166.4)	(960.2)	-30.0%
<u>PENSION COSTS</u>									
Total Pension Costs	13.8	23.8	48.0	58.0	58.0	58.0	58.0	280.0	143.4%
Operating Deficit Before Government Subsidy	(261.2)	(261.5)	(273.8)	(271.0)	(240.8)	(230.2)	(224.4)	(1,240.2)	-14.2%
less: Government Operating Funding - Reference Level	226.3	207.0	175.8	166.4	166.4	166.4	166.4	841.4	
less: Supplementary Government Operating Funding*	-	75.0	98.0	-	-	-	-	98.0	
less: Use of Asset Renewal Fund	35.0	-	-	-	-	-	-	-	
Operating Surplus / (Deficit) after Government Funding & use of ARF	-	20.5	(0.0)	(104.6)	(74.4)	(63.8)	(58.0)	(300.8)	

*At the time of this Corporate Plan preparation, \$50million (of the \$98 million) listed as "Supplementary Government Operation Funding" in 2011 has not yet received Royal Assent

NOTE: May not add due to rounding

VIA RAIL CANADA INC.
2011 - 2015 CORPORATE PLAN SUMMARY
SUMMARY - TOTAL CAPITAL EXPENDITURES
(MILLIONS OF DOLLARS)

TABLE 2A

VIA FISCAL YEAR ENDING DECEMBER 31ST									
	ACTUAL <u>2007-2009</u>	ACTUAL <u>2010</u>	<u>2011</u>	<u>2012</u>	PLAN <u>2013</u>	<u>2014</u>	<u>2015</u>	TOTAL <u>2011-2015</u>	TOTAL <u>2007-2015</u>
<u>MAJOR CAPITAL PROGRAMS</u>									
Equipment Projects	34.5	62.8	93.2	58.3	36.6	3.1	-	191.2	288.5
Infrastructure Projects	72.0	166.3	163.6	57.9	14.6	-	-	236.2	474.5
Other Capital Programs	64.8	39.5	51.9	70.9	67.0	60.0	60.0	309.7	414.0
Total Capital Expenditures	171.3	268.6	308.7	187.1	118.2	63.1	60.0	737.1	1,177.0
less: use of Asset Renewal Fund (ARF)	-	-	(11.0)	(6.0)	(7.0)	-	-	(24.0)	(24.0)
Transfer of Operating Funding	-	-	(10.0)	-	-	-	-	(10.0)	(10.0)
Gov't Capital Funding Required	171.3	268.6	287.7	181.1	111.2	63.1	60.0	703.1	1,143.0
Total Gov't Capital Funding	171.3	268.6	287.7	121.1	51.2	3.1	-	463.1	903.0
Funding Shortfall / (Surplus)	-	-	-	60.0	60.0	60.0	60.0	240.0	240.0
Additional Funding Required	-	-	-	60.0	60.0	60.0	60.0	240.0	240.0

NOTE: May not add due to rounding

VIA RAIL CANADA INC.
2011 - 2015 CORPORATE PLAN SUMMARY
FUNDING REQUIREMENTS AND SOURCES
(MILLIONS OF DOLLARS)

TABLE 3A

VIA FISCAL YEAR ENDING DECEMBER 31ST									
	ACTUAL	ACTUAL	PLAN					TOTAL	TOTAL
	<u>2007-2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2011-2015</u>	<u>2007-2015</u>
Government Funding Available									
Total Operating Funding with Stimulus Package - 2010 Corp Plan (2010-11 ARLU)	641.1	282.0	273.8	166.4	166.4	166.4	166.4	939.4	1,862.5
Total Capital Funding with Stimulus Package - 2010 Corp Plan (2010-11 ARLU)	171.3	340.5	294.9	67.7	28.7	-	-	391.3	903.0
Total Gov't Funding Available - 2010 corp plan (2010-11 ARLU)	812.4	622.5	568.7	234.1	195.1	166.4	166.4	1,330.7	2,765.5
Via Funding Requirements									
Operating :	676.1	261.5	273.8	271.0	240.7	230.2	224.4	1,240.1	2,177.7
Less Use of Asset Renewal Fund (ARF) - Operating	(35.0)	-	-	-	-	-	-	-	(35.0)
Transfer Operating Funding to Capital Funding	-	10.0	-	-	-	-	-	-	10.0
Total Operating Funding required	641.1	271.5	273.8	271.0	240.7	230.2	224.4	1,240.1	2,152.8
Capital :	171.3	268.6	308.7	187.1	118.2	63.1	60.0	737.1	1,177.0
Less Use of Asset Renewal Fund (ARF) - Capital	-	-	(11.0)	(6.0)	(7.0)	-	-	(24.0)	(24.0)
Transfer Operating Funding to Capital Funding	-	-	(10.0)	-	-	-	-	(10.0)	(10.0)
Total Capital Funding required	171.3	268.6	287.7	181.1	111.2	63.1	60.0	703.1	1,143.0
Total Via Gov't Funding Required	812.4	540.1	561.5	452.1	351.9	293.3	284.4	1,943.2	3,295.7
Operating Surplus / (Deficit) Before Reprofiting	-	10.5	-	(104.6)	(74.3)	(63.8)	(58.1)	(300.8)	(290.3)
Capital Surplus / (Deficit) Before Reprofiting	-	71.9	7.2	(113.4)	(82.5)	(63.1)	(60.0)	(311.9)	(240.0)
Total Funding Surplus/(deficit) before reprofiling	-	82.4	7.2	(218.1)	(156.8)	(126.9)	(118.1)	(612.6)	(530.3)
Reprofiling and additional funding to be requested									
Reprofiling of Surplus Operating Funding	-	-	-	-	-	-	-	-	-
Proposed Reprofiting of Capital Funding **	-	(71.9)	(7.2)	53.4	22.5	3.1	-	71.9	-
Additional Capital Funding*	-	-	-	60.0	60.0	60.0	60.0	240.0	240.0
Total Funding Surplus/(deficit) after reprofiling	-	10.5	-	(104.6)	(74.3)	(63.8)	(58.1)	(300.8)	(290.3)
Gov't Operating funding after Reprofiting	641.1	271.5	273.8	166.4	166.4	166.4	166.4	939.4	1,852.0
Gov't Capital funding after Reprofiting	171.3	268.6	287.7	121.1	51.2	3.1	-	463.1	903.0
Additional Capital Funding***	-	-	-	60.0	60.0	60.0	60.0	240.0	240.0
Total Gov't Funding available after reprofiling	812.4	540.1	561.6	347.4	277.6	229.5	226.4	1,642.5	2,995.0

*As the time of this Corporate Plan preparation, \$50million (of the \$98 million) listed as "Supplementary Government Operation Funding" in 2011 has not yet received Royal Assent

** Contingent upon approval by TB of TC request through the Annual Reference Level Update (ARLU) process. In the absence of the approval of this requested reprofiling, VIA will have to cancel current capital projects

*** No funds have yet been identified and VIA is requesting this additional funding

NOTE: May not add due to rounding

VIA RAIL CANADA INC.
2011 - 2015 CORPORATE PLAN SUMMARY
FUNDING REQUIREMENTS AND SOURCES
(MILLIONS OF DOLLARS)

GOV FISCAL YEAR YEAR ENDING MARCH, 31ST									
	ACTUAL		PLAN					TOTAL	TOTAL
	2006-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2012-2016	2008-2016
Government Funding Available									
Operating:									
Reference Level	644.3	198.7	177.9	169.0	169.0	169.0	169.0	853.9	1,697.0
Funding Reduction - Gov't Efficiency Tax	(2.9)	(2.1)	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)	(13.1)	(18.1)
Total Operating Funding	641.4	196.6	175.3	166.4	166.4	166.4	166.4	840.9	1,678.9
Funding for MOS - Stimulus Package	10.0	10.0	-	-	-	-	-	-	20.0
Plus additional Operating funding requested for 2010 *	-	75.0	98.0	-	-	-	-	98.0	173.0
Total Operating Funding with Stimulus Package - 2010 Corp Plan (2010-11 ARLU)	651.4	281.6	273.3	166.4	166.4	166.4	166.4	938.9	1,871.9
Capital:									
Reference Level	120.5	173.9	200.0	21.6	-	-	-	221.6	516.0
Additional Capital Funding - Stimulus Package	115.0	189.0	83.0	-	-	-	-	83.0	387.0
Total Capital Funding with Stimulus Package - 2010 Corp Plan (2010-11 ARLU)	235.5	362.9	283.0	21.6	-	-	-	304.6	903.0
Total Gov't Funding Available - 2010 corp plan (2010-11 ARLU)	886.9	644.5	556.3	188.0	166.4	166.4	166.4	1,243.5	2,774.9
VIA FUNDING REQUIREMENTS									
Operating :									
686.4	271.5	273.3	263.5	238.5	229.1	224.4	1,228.9	2,186.7	
Less Use of Asset Renewal Fund (ARF) - Operating	(34.9)	-	-	-	-	-	-	-	(34.9)
Transfer Operating Funding to Capital Funding	-	10.0	-	-	-	-	-	-	10.0
Total Operating Funding required	651.4	281.5	273.3	263.5	238.5	229.1	224.4	1,228.9	2,161.7
Capital :									
235.5	260.2	297.9	156.4	111.3	60.7	55.0	681.2	1,177.0	
Less Use of Asset Renewal Fund (ARF) - Capital	-	(5.5)	(5.5)	(6.0)	(7.0)	-	-	(18.5)	(24.0)
Transfer Operating Funding to Capital Funding	-	(10.0)	-	-	-	-	-	-	(10.0)
Total Capital Funding required	235.5	244.8	292.3	150.4	104.3	60.7	55.0	662.7	1,143.0
Total Via Gov't Funding Required	886.9	526.2	565.6	413.9	342.8	289.8	279.4	1,891.6	3,304.7
Operating Surplus / (Deficit) Before Reprofiling	-	0.1	-	(97.1)	(72.2)	(62.7)	(58.1)	(290.0)	(289.9)
Capital Surplus / (Deficit) Before Reprofiling	-	118.1	(9.3)	(128.8)	(104.3)	(60.7)	(55.0)	(358.1)	(240.0)
Total Funding Surplus/(deficit) before reprofiling	-	118.3	(9.3)	(225.9)	(176.5)	(123.4)	(113.1)	(648.1)	(529.8)
REPROFILING AND ADDITIONAL FUNDING TO BE REQUESTED *									
Reprofiling of Surplus Operating Funding	-	-	-	-	-	-	-	-	-
Reprofiling of Capital Funding **	-	(118.1)	9.3	63.8	44.3	0.7	-	118.1	-
Additional Capital Funding*	-	-	-	65.0	60.0	60.0	55.0	240.0	240.0
Total Funding Surplus/(deficit) after reprofiling	-	0.1	-	(97.1)	(72.2)	(62.7)	(58.1)	(290.0)	(289.8)
Gov't Operating funding after Reprofiling	651.4	281.5	273.3	166.4	166.4	166.4	166.4	938.9	1,871.8
Gov't Capital funding after Reprofiling	235.5	244.8	292.3	85.4	44.3	0.7	-	422.7	903.0
Additional Capital Funding***	-	-	-	65.0	60.0	60.0	55.0	240.0	240.0
Total Gov't Funding available after reprofiling	886.9	526.2	565.6	316.8	270.7	227.1	221.4	1,601.6	3,014.8

*As the time of this Corporate Plan preparation, \$50million (of the \$98 million) listed as "Supplementary Government Operation Funding" in 2011 has not yet received Royal Assent

** Contingent upon approval by TB of TC request through the Annual Reference Level Update (ARLU) process. In the absence of the approval of this requested reprofiling, VIA will have to cancel current capital projects

*** No funds has yet been identified and VIA is requesting this additional funding

NOTE: May not add due to rounding

VIA RAIL CANADA INC.
2011 - 2015 CORPORATE PLAN SUMMARY
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(MILLIONS OF DOLLARS)

TABLE 4

Year ended December 31	ACTUAL 2009	ACTUAL 2010	2011	2012	PLAN 2013	2014	2015
Revenues							
Passenger	250.3	258.2	269.7	303.0	346.0	363.5	377.4
Investment income	0.9	1.3	0.3	0.3	0.3	0.3	0.3
Other	13.9	15.7	15.7	16.1	16.6	17.1	17.6
	265.1	275.2	285.7	319.4	362.9	380.9	395.3
Expenses							
Compensation and benefits	224.0	223.2	232.3	233.5	238.4	238.6	238.6
Train operations and fuel	118.2	118.1	123.8	136.8	144.9	147.1	153.2
Stations and property	33.6	33.9	34.3	35.6	37.6	38.5	39.3
Marketing and sales	22.7	22.7	28.2	24.9	26.7	27.7	28.7
Maintenance material	37.0	39.0	32.5	36.2	30.5	32.3	32.0
On-train product costs	16.2	14.7	15.4	17.3	17.7	18.3	18.7
Operating taxes	9.7	8.7	9.6	9.7	9.8	9.9	10.0
Professional services	5.6	6.3	6.0	6.1	6.2	6.3	6.4
Employee future benefits	(1.1)	11.5	(31.1)	58.9	58.9	58.9	58.9
Amortization and losses on write-down and disposal of property, plant and equipment and intangible assets	59.8	58.0	84.1	113.9	132.4	143.1	147.1
Unrealized loss (gain) on derivative financial instruments	(18.1)	(7.4)					
Realized loss (gain) on derivative financial instruments	15.7	6.2					
Other	25.7	31.9	29.5	32.4	33.9	34.6	35.0
	549.0	566.8	564.6	705.3	737.0	755.3	767.9
Operating loss before funding from the Government of Canada and corporate taxes	283.9	291.6	278.9	385.9	374.1	374.4	372.6
Operating funding from the Government of Canada	226.3	261.5	273.8	166.4	166.4	166.4	166.4
Amortization of deferred capital funding	56.1	56.8	82.6	112.4	130.9	141.6	146.1
Income (loss) before corporate taxes	(1.5)	26.7	77.5	(107.1)	(76.8)	(66.4)	(60.1)
Corporate tax expense (recovery)	(4.0)	4.8	9.9	(16.9)	(16.9)	(16.9)	(16.9)
Net income (loss) and comprehensive income (loss) for the year	2.5	21.9	67.6	(90.2)	(59.9)	(49.5)	(43.2)
Reconciliation of Net income (loss) for the year to Government Funding Basis:							
Net income (loss) and comprehensive income (loss) for the year	2.5	21.9	67.6	(90.2)	(59.9)	(49.5)	(43.2)
Items not requiring (not providing) operating funds:							
Amortization and losses on write-off and disposal of capital assets	60.1	58.4	84.1	113.9	132.4	143.1	147.1
Amortization of deferred capital funding	(56.1)	(56.8)	(82.6)	(112.4)	(130.9)	(141.6)	(146.1)
Employee future benefits	(21.1)	(19.9)	(79.1)	0.9	0.9	0.9	0.9
Unrealized gain on derivative financial instruments	(18.1)	(7.4)					
Previous years' lease expenses funded in the current year	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	0.0	0.0
Current year property expenses funded in a future year	0.8	(0.1)					
Future corporate taxes	(3.3)	5.1	9.5	(17.3)	(17.3)	(17.3)	(17.3)
Adjustment for accrued compensation	0.7	(0.2)	0.7	0.7	0.7	0.7	0.7
Change in fair value of financial instrument	(0.2)	(0.8)	0.0	0.0	0.0	0.0	0.0
Payment of prior years' reorganization charges	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Operating funding surplus (deficit) for the year	(35.0)	0.0	0.0	(104.6)	(74.3)	(63.8)	(58.0)

Excluding consolidation of Keewatin Railway Company

Pro-forma Financial Statements prepared in accordance with Canadian generally accepted accounting principles (2011 Financial Statements under IFRS have been prepared and are currently under review by the OAG)

VIA RAIL CANADA INC.
2011 - 2015 CORPORATE PLAN SUMMARY
STATEMENT OF CASH FLOWS
(MILLIONS OF DOLLARS)

TABLE 5

Year ended December 31	ACTUAL <u>2009</u>	ACTUAL <u>2010</u>	<u>2011</u>	<u>2012</u>	PLAN <u>2013</u>	<u>2014</u>	<u>2015</u>
Operating activities							
Net income (loss) and comprehensive income (loss) for the year	2.5	21.9	67.6	(90.2)	(59.9)	(49.5)	(43.2)
Adjustments to determine net cash from (used in) operating activities:							
Amortization of property, plant and equipment	52.4	53.8	84.1	113.9	132.4	143.1	147.1
Losses (gains) on write-down and disposal of property, plant and equipment	7.7	4.6	0.0	0.0	0.0	0.0	0.0
Amortization of investment tax credits	(0.3)	(0.4)	(0.3)	(0.3)	(0.3)	0.0	0.0
Amortization of deferred capital funding	(56.1)	(56.8)	(82.6)	(112.4)	(130.9)	(141.6)	(146.1)
Future corporate taxes	(3.3)	5.1	9.5	(17.3)	(17.3)	(17.3)	(17.3)
Change in fair value of financial instrument	(0.2)	(0.8)	0.0	0.0	0.0	0.0	0.0
Unrealized net loss (gains) on derivative financial instruments	(18.1)	(7.5)					
Changes in non-cash working capital items	(7.9)	38.7	(170.2)	47.8	17.4	6.7	0.8
Change in other long-term assets							
Change in accrued benefit asset	(22.3)	(20.1)	12.1	58.0	58.0	58.0	58.0
Change in accrued benefit liability	1.0	0.1	0.8	0.8	0.8	0.8	0.9
Change in other long-term liabilities	(1.1)	(0.3)	0.1	(0.1)	(0.1)	(0.1)	(0.1)
Sub Total	(45.7)	38.3	(78.9)	0.2	0.1	0.1	0.1
Financing activities							
Capital funding from the Government of Canada	110.3	271.9	287.7	181.1	111.2	63.1	60.0
Sub Total	110.3	271.9	287.7	181.1	111.2	63.1	60.0
Investment activities							
Acquisition of investments in the asset renewal fund	(359.7)	(177.7)	0.0	0.0	0.0	(0.1)	(0.1)
Proceeds from sale and maturity of investments in the asset renewal fund	386.2	186.0	26.1	5.8	6.9	0.0	0.0
Acquisition of property, plant and equipment	(95.7)	(247.7)	(308.7)	(187.1)	(118.2)	(63.1)	(60.0)
Proceeds from disposal of property, plant and equipment	0.0	1.4	0.0	0.0	0.0	0.0	0.0
Sub Total	(69.2)	(238.0)	(282.6)	(181.3)	(111.3)	(63.2)	(60.1)
Cash and cash equivalents							
Increase (decrease) during the year	(4.6)	72.2	(73.8)	0.0	0.0	0.0	0.0
Balance, beginning of year	9.2	4.6	76.8	3.0	3.0	3.0	3.0
Balance, end of year	4.6	76.8	3.0	3.0	3.0	3.0	3.0

Excluding consolidation of Keewatin Railway Company

Pro-forma Financial Statements prepared in accordance with Canadian generally accepted accounting principles (2011 Financial Statements under IFRS have been prepared and are currently under review by the OAG)

VIA RAIL CANADA INC.
2011 - 2015 CORPORATE PLAN SUMMARY
BALANCE SHEET
(MILLIONS OF DOLLARS)

TABLE 6

Year ended December 31	ACTUAL <u>2009</u>	ACTUAL <u>2010</u>	<u>2011</u>	<u>2012</u>	PLAN <u>2013</u>	<u>2014</u>	<u>2015</u>
Current assets							
Cash and cash equivalents	4.6	76.8	3.0	3.0	3.0	3.0	3.0
Accounts receivable, trade	7.6	8.0	13.3	14.3	15.6	16.1	16.6
Accounts receivable, prepaid and other	10.4	14.4	29.6	18.7	18.0	18.0	18.0
Receivable from the Government of Canada	5.2	15.7	65.0	35.0	35.0	35.0	35.0
Derivative financial instruments	1.5	3.8	3.8	3.8	3.8	3.8	3.8
Materials	24.6	21.3	29.6	30.6	31.6	32.6	33.6
Asset renewal fund	25.3	15.3	0.2	0.4	1.1	1.2	1.3
Future corporate taxes	2.8	12.2	12.2	12.2	12.2	12.2	12.2
Sub Total	82.0	167.5	156.7	118.0	120.3	121.9	123.5
Long-term assets							
Property, plant and equipment	515.2	716.1	932.1	992.9	977.5	902.6	820.0
Intangible assets	9.5	17.4	26.0	38.4	39.6	34.5	30.0
Asset renewal fund	23.1	25.6	14.6	8.6	1.0	1.0	1.0
Accrued benefit asset	354.8	374.9	362.8	304.8	246.8	188.8	130.8
Future corporate taxes	-	-	-	-	-	-	4.6
Derivative financial instruments	1.6	0.9	0.9	0.9	0.9	0.9	0.9
Sub Total	904.2	1,134.9	1,336.4	1,345.6	1,265.8	1,127.8	987.3
TOTAL ASSETS	986.2	1,302.4	1,493.1	1,463.6	1,386.1	1,249.7	1,110.8
Current liabilities							
Accounts payable and accrued liabilities	130.4	152.9	113.1	120.7	137.7	143.8	145.7
Deferred government funding	-	51.0					
Derivative financial instruments	6.7	1.0	1.0	1.0	1.0	1.0	1.0
Deferred revenue	12.0	12.9	11.6	12.9	14.9	17.0	17.4
Sub Total	149.1	217.8	125.7	134.6	153.6	161.8	164.1
Long-term liabilities							
Accrued benefit liability	27.1	27.2	28.0	28.8	29.6	30.4	31.3
Future corporate taxes	40.5	55.1	64.6	47.3	30.0	12.7	-
Derivative financial instruments	0.4	0.2	0.2	0.2	0.2	0.2	0.2
Deferred investment tax credits	1.3	0.9	0.6	0.3	-	-	-
Other	0.9	0.6	0.7	0.6	0.5	0.4	0.3
Sub Total	70.2	84.0	94.1	77.2	60.3	43.7	31.8
Deferred capital funding	533.1	742.9	948.0	1,016.7	997.0	918.5	832.4
Shareholder's equity (deficiency)							
Share capital	9.3	9.3	9.3	9.3	9.3	9.3	9.3
Retained earnings (deficit)	224.5	248.4	316.0	225.8	165.9	116.4	73.2
Sub Total	233.8	257.7	325.3	235.1	175.2	125.7	82.5
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	986.2	1,302.4	1,493.1	1,463.6	1,386.1	1,249.7	1,110.8

Excluding consolidation of Keewatin Railway Company

Pro-forma Financial Statements prepared in accordance with Canadian generally accepted accounting principles (2011 Financial Statements under IFRS have been prepared and are currently under review by the OAG)

VIA RAIL CANADA INC.
2011 - 2015 CORPORATE PLAN SUMMARY
STATEMENT OF RETAINED EARNINGS (DEFICIT)
(MILLIONS OF DOLLARS)

Year ended December 31	ACTUAL	ACTUAL	PLAN				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Balance, beginning of year	221.0	224.5	248.4	316.0	225.8	165.9	116.4
Net income and comprehensive income for the year	2.5	21.9	67.6	(90.2)	(59.9)	(49.5)	(43.2)
Funding from the Government of Canada for the acquisition of non-depreciable capital assets	1.0	2.0					
Balance, end of year	224.5	248.4	316.0	225.8	165.9	116.4	73.2

Excluding consolidation of Keewatin Railway Company

Pro-forma Financial Statements prepared in accordance with Canadian generally accepted accounting principles (2011 Financial Statements under IFRS have been prepared and are currently under review by the OAG)