

# Speaking Notes

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MARC LALIBERTÉ, PRESIDENT AND CEO, VIA RAIL CANADA  
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## Transformation: Our Strategy

Paul described a vision for transforming VIA and passenger rail in Canada. It is a realistic vision -- as Paul said, we are already on our way there. But it is a very challenging one. I'm going to describe the basic strategy we developed in 2010 to meet the challenge.

There are three main operational challenges we need to address. We need to:

- **Connect more Canadians** - get more people on board our trains by delivering more frequent, faster, more reliable services;
- **Limit Government funding** -- move towards full cost recovery for commercially viable services; and
- **Improve efficiency** -- become not only the safest, but the most operationally efficient mode of public transportation in Canada.

## Connecting More Canadians: Capital Investment

To connect more Canadians, we have to offer more and better travel options. This means offering more frequent train services, with faster and better schedules, and more reliable performance. And to do that, we need hardware -- better tracks and better equipment.

The key here is capital investment.

The Government of Canada launched a \$516 million capital investment program in 2007, and added another \$407 million investment in 2009, with stimulus funding through the Economic Action Plan. We have been putting that investment where it counts -- expanding track capacity, building better traffic control systems, modernizing passenger facilities and stations, renewing locomotives and rail cars.

In the Québec - Ontario Corridor alone, we are investing \$474 million to expand and improve the infrastructure where the demand for passenger rail service is highest. With these infrastructure improvements VIA will have the capacity to serve an estimated *650,000 additional passengers per year*.

We are also investing in our equipment – rebuilding our locomotives, rail-diesel cars, and most of our fleet of passenger cars used across Canada. Renewed equipment will be more efficient, meet the highest environmental standards, and deliver better on-time performance. It will also deliver a more attractive, comfortable service to customers.

And we are upgrading and modernizing key passenger stations to serve customers more efficiently, and to address operational and safety needs.

We made good progress on all of these projects in 2010, and we are on schedule for introducing new frequencies in 2012.

**Connecting More Canadians:  
Modal integration**

Connecting more Canadians also means providing better connections to other services -- planes, commuter trains, bus services, and automobiles. We are working to make rail part of a seamless, integrated transportation solution.

For example, in 2010 we developed a partnership with two car-sharing organizations. With a single ticket, members can now travel by train between Montreal and Ottawa, pick up a car at the station for local transportation, and drop the car off at the train station when making the return journey home.

And we now have a partnership with GO Transit in the Greater Toronto Area, which integrates intercity and commuter rail. VIA passengers can go on line and purchase a GO Train ticket along with their VIA Rail ticket in a single transaction, making connections between our services virtually transparent.

We believe this kind of service should be the rule, not the exception. For example, we look forward to developing a successful partnership in the future with AMT in the Greater Montreal Area. We recently began a partnership with Red Arrow bus lines in Alberta for transfers from Edmonton to Calgary. And we are involved in similar discussions with international air carriers.

**Limiting Government Funding**

To make Canada's passenger rail service financially sustainable in the future, we are changing the way we manage the different kinds of services we provide. We believe government operating funding should be limited to services that are not commercially viable; therefore, our goal is to move closer towards full cost-recovery for all other services, wherever possible.

VIA operates three different kinds of passenger service. In the Quebec-Ontario corridor, we provide rapid intercity transportation between major urban centres. This is where our market is strongest, and where the potential to make services more commercially viable is strongest. To limit government funding, we will work to increase revenues and recover more of our operating costs. In

the long run, this will require finding ways, such as through possible future capital investments, to provide even faster trip times, and substantially more frequent services in the years beyond 2012.

In western and eastern Canada, our trains have the potential to become more commercially viable as tourist services, attracting tourists from across Canada and around the world. We are improving marketing and fine tuning our products for tourists, in order to increase ridership and revenues. But the main challenge is that market demand is seasonal and varies throughout the year. We do not now have the flexibility to adjust frequencies or service levels to match seasonal changes in demand -- essentially, we run the same trains, the same frequencies, year round. Without that flexibility, opportunities to reduce funding requirements substantially will be limited.

The third type of service we operate is basic transportation in remote regions, where alternative transportation is limited or unavailable. This is really a separate mandate from the government for services deemed essential as a public service. Our goal is to operate these trains as efficiently as possible, and reduce operating costs where possible. But these are not commercially viable services, and will always require government operating funding.

To achieve our financial goals, we need to increase revenues. In 2010 we increased intercity and tourism revenues by:

- Improving revenue management, to ensure that we get the best possible price for every ticket based market demand. This approach gives us much greater control over the types of fares and discounts that are available at any given time. We expect that revenue management alone will generate up to \$40 million in increased revenues over the next five years.
- Adjusting schedules to reflect markets. For example, for services between Quebec City, Montreal and Ottawa we made the trips faster, and changed schedules so that people could arrive at their destination before the start of a normal business day -- and depart when business is over.
- Developing effective marketing and promotions keyed to seasonal and market fluctuations.
- And offering both new and enhanced products and services -- such as enhanced on-board tourism products in the west and the east, and on-board Wi-Fi internet access

### **Operational Efficiency**

To achieve our long-term financial objectives and our vision for passenger rail, we need to deliver more value by connecting more Canadians. We need to limit government funding and pursue full cost-recovery wherever possible. And to do all this, we need to control costs -- getting more value out of the resources available.

This is critical, and it is all about *efficiency*. My goal is for VIA to evolve as the most operationally efficient passenger service in Canada.

In 2010 we implemented a new management strategy focused on continuous improvements in operational efficiency. Based on proven principles of LEAN management, this approach streamlines daily operations and procedures, focusing on those activities that add value for our customer while eliminating waste – activities and procedures that do not add value.

There are two ways we are evolving as a LEAN organization -- by launching targeted LEAN initiatives, and implementing a framework of Key Performance Indicators to measure our progress.

LEAN initiatives focus on specific work process, and find ways to improve productivity and eliminate waste. For example, last year our Montreal Maintenance Centre focused on work flow through the Wheel Shop, and found ways to reduce the movement of materials by 50%, speeding up the process of wheel maintenance, and making operations both safer and more efficient.

Another example is our new approach to managing the size of trains, which reduced costs significantly in 2010. Traditionally, we have adjusted the size of each train on demand, adding or removing cars as circumstances required. This often involved a great deal of wasted time and labour. Our new approach establishes a planned consist for services based on historical data and trends. Equipment and other resources are allocated in advance, greatly reducing the amount of resources expended before and after the departure of each train.

In 2011 we have launched fourteen new LEAN initiatives in Operations, Information Technology, Finance, People, Customer Experience, and Marketing and Sales. In total, 21 initiatives are now in progress throughout the corporation, focused on improving efficiency, increasing value and reducing costs.

The second aspect of LEAN management at VIA is our performance management framework. We introduced Key Performance Indicators in 2010 which measure employee productivity, revenue, costs, customer satisfaction, and safety. The indicators are shared monthly with all employees, and regular information sessions are held between managers and employees to discuss VIA's performance. As a result, employees are aware of the key measurements and how their individual actions contribute to VIA's success.

We will also include these performance indicators in our Quarterly Reports, which will be available on our web site.

There's one more point I want to make about efficiency -- it goes hand-in-hand with *safety*. Passenger rail is already the safest mode of public transportation available today. As we evolve as the most efficient mode of public transportation, that is still our top priority -- our commitment and focus on safety and the safe operations of our trains remains fundamental at VIA Rail.

## Looking Ahead

There are tremendous opportunities ahead as we continue to transform Canada's passenger rail services. We made great progress in 2010, and the best is yet to come -- as we connect more Canadians, improve revenues, and achieve new levels of operational excellence.

There is no question that we will face significant challenges as we work to achieve our long-term goals. The year 2011 will be a pivotal year, as key investment projects move forward and reach completion. At the same time, we face new competitive challenges from other services, particularly in the Quebec-Ontario corridor.

But we have reasons to feel optimistic.

During the first quarter of 2011, we have already seen encouraging growth in both revenues and ridership across Canada. As we continue to focus on the immediate challenge -- maintaining this slow and steady growth in the months ahead -- I am confident that this pivotal year will mark an important step towards our vision for the future.

Thank you.