

# Speaking Notes

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## Financial Review and Challenges Ahead

Over the next few minutes I will provide a brief review of VIA's recent financial results.

I'll start with the best news first. VIA has improved its financial situation, both commercially and operationally, over the last two years during which time it has required \$30 million less in government funding for operations, before contributions to pension plans.

I say "before contributions to pension plans", because pension costs have increased dramatically for reasons that have nothing to do with how we operate our trains. Pension costs for VIA, and for most corporations, have gone up substantially in recent years. To get the pension plans back to a healthy state, corporations have to increase their fund contributions over the next few years and at VIA we will propose changes to the Pension plan programs to minimize cost increases and ensure costs are contained as much as possible.

*Cependant, exception faite des coûts liés aux régimes de retraite, nous faisons des progrès significatifs en vue de réduire le financement des services ferroviaires voyageurs par l'État.*

*Une des façons dont nous y arrivons consiste à accroître les recettes – malgré le ralentissement global des marchés des voyages depuis 2008.*

*En 2011, notre achalandage est demeuré plus ou moins stable par rapport à 2010 et 2009, et il n'est pas revenu aux niveaux que nous avons atteints avant l'automne de 2008. Ce rendement est conforme à celui de l'ensemble du secteur.*

But – and here comes more good news -- our revenues have improved over the last two fiscal years. In fact, total revenues are up by about \$15 million since 2009.

Part of this results from doing a better job matching ticket price to market demand through our revenue management system. This got great results in 2010 and 2011, and we will keep working to make this system better in the future.

Along with increasing revenues, we have been working hard to increase productivity and control costs. A major part of this effort is through “Lean Management”, an approach to management that provides better value to customers and eliminates waste in our business processes and operations.

As a result of this effort, we reduced our direct operating costs per seat-mile from 23 cents in 2010 down to 22 cents in 2011. And we increased total revenues per employee – which is a key measure of productivity – from \$93,000 to \$98,000 per employee.

*J'ai dit que j'allais commencer par les meilleures nouvelles. Maintenant, passons aux nouvelles représentant de plus grands défis. Le début de l'année 2012 a été assez difficile, comme l'indiquent nos résultats pour le premier trimestre.*

*Les voyageurs-milles, une statistique d'achalandage qui combine le nombre de voyageurs au nombre de milles parcouru, ont diminué de 3,9 pour cent comparativement au premier trimestre de 2011. La baisse des revenus voyageurs pour chaque mille parcouru est moins marquée, soit 2,8 pour cent, grâce aux meilleurs rendements dans le corridor Québec – Windsor et aux liaisons de grands parcours. Globalement, les recettes totales ont reculé de 1,5 pour cent par rapport au premier trimestre de 2011.*

*Cette baisse de l'achalandage est attribuable aux conditions hivernales plus douces enregistrées dans le Corridor Québec-Windsor (favorisant le transport en voiture), combinées à la concurrence accrue des transporteurs aériens et des entreprises d'autocars dans le Corridor (notamment le lancement de nouveaux services aériens dans le Sud-Ouest de l'Ontario).*

As a result of these weaker revenues and higher costs, the Operating deficit -- before funding from the Government of Canada, amortization of capital funding and taxes -- has increased by \$12.2M.

To compensate for this weak start to 2012, VIA continues to implement initiatives to mitigate the impact of declining passenger revenues. These include optimizing train services between Montreal, Ottawa and Toronto in growing markets, the introduction of a new low fare product in the Corridor and significant information technology improvements that will support revenue generation initiatives.

All of the numbers I have mentioned don't show that our financial performance varies widely depending on the route. You see this difference very clearly when we look at the amount of government funding per passenger mile to operate each type of service:

- The Canadian, operating between Toronto and Vancouver requires 36 cents of government funding for each mile travelled by our passenger.
- The Ocean, between Montreal and Halifax requires 55 cents per passenger mile.
- Mandatory services require \$1.44 per passenger mile
- Rapid intercity services in the Quebec City-Windsor corridor require 21 cents per passenger mile.

I have talked about how VIA has improved the financial and operating performance of passenger rail over the past two years. And I have described some of the challenges we face, including weak first quarter results, as we continue to improve performance in the different markets we serve across Canada.

As I mentioned, we have reduced our government operating funding before pension costs by \$30 million in the past two years. Our financial objective going forward is to continue to reduce operating funding year over year as we have done since 2009..

That is a pretty big challenge.

Our track record shows we can do it. And this challenge is the key to our bigger objective – building a passenger rail service that is financially sustainable, and ready to grow.

Thank you. *Merci*