



Speaking Notes

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VIA RAIL CANADA
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As Mr. Smith said, 2012 was a major transition year for VIA Rail. For the past few years we have been preparing a number of key changes to the way we manage passenger rail and deliver service to Canadians. Last year we implemented many of those changes.

So it was a very busy year for us. 2012 was also a milestone year in the evolution of passenger rail. The changes we implemented are helping us deliver more of the kind of services people want today, and do it more efficiently – so that more people will buy tickets and get on our trains.

I am going to give you a quick overview of what we have achieved.

Modernization

First, as Mr. Smith indicated, we completed many major capital projects to modernize passenger rail.

As you know, we have been carrying out a comprehensive improvement program launched by the federal government in 2007. It is the largest capital program in VIA Rail's history, with the government investing almost one billion dollars to renew and rebuild aging equipment, upgrade track to handle higher speeds and more trains, modernize key passenger facilities across the country and provide the latest information technologies to our clients.

By the end of 2012 that investment was 90 percent complete, enhancing almost all aspects of our service.

We finished rebuilding our older locomotives to better-than-new condition. As Mr. Smith said, we now have one of the most fuel and energy efficient locomotive fleets in North America.

- That means our engines are cheaper to operate and maintain.
- They improve our already outstanding environmental performance – consuming less fuel, and reducing greenhouse gas emissions by 15 percent.
- We doubled the service-life of the locomotives – and saved about \$200 million by rebuilding instead of buying new equipment.

We are also rebuilding and modernizing our entire fleet of passenger cars. While some of this work was delayed because of problems with the contractor doing the work, we got work back on track and began introducing the rebuilt cars into service. The renewed cars provide customers with a more comfortable and attractive journey – a nice environment where you can work, meet with friends, read a book or just relax while we carry you to your destination.

And we upgraded our on-board Wi-Fi service. With connection speeds more than four times that of our original service, it is now the fastest, most reliable onboard Wi-Fi service available today. That means customers stay connected throughout their journey – whether it's to the office for work or with friends and family.

And this year we announced a new, exclusive service streaming high-speed, high quality movies, documentaries and programming in partnership with the National Film Board of Canada and the CBC / Société-Radio-Canada.

We also completed work on our Renaissance fleet of passenger cars to make them more convenient and accessible for travelers with disabilities. This is a priority in all of the equipment rebuilds – ensuring that we can provide the best level of service and accommodate the needs of all travellers. We are committed to keeping passenger rail the most accessible form of transportation in Canada.

In 2012, projects were either completed or underway to modernize 24 passenger stations at key locations across the country – including new stations in Belleville and Windsor, major improvements in Oshawa, and a new Panorama Lounge in Toronto that is expected to serve 250,000 Business Class and VIA Préférence customers each year.

Finally, we completed major upgrades to track in the Montreal-Ottawa-Toronto triangle – including sections of third track at key points on the line between Kingston and Toronto. This has allowed us to improve trip times and frequencies in order to better serve the market.

Modernizing Technology

For almost any business today, customers expect to do business online. If they can't, you are going to lose customers.

We completed a wide range of technology projects in 2012 that give customers fast and convenient access to VIA Rail's services, while greatly improving the efficiency and cost-effectiveness of our operations. I'll mention just a few:

In 2012 we introduced e-tickets on almost all of our routes. Customers can purchase tickets online, and board our trains with either their own ticket print-out or with a barcode displayed on their smartphones.

We also launched our first mobile booking engine, allowing customers to book their tickets and check schedules and train status using any mobile device.

We made it easier to shop for tickets online with a new fare matrix for trips in the Corridor. This new online tool helps customers see all of their options at-a-glance and choose their preferred fare and service. In addition, VIA Préférence members can now use their points online to purchase tickets in the Corridor.

We completed a number of "behind the scenes" technology projects that not only make our operations more efficient, but bring new benefits to customers. For example, in June 2012 we implemented a new Revenue Management System that allows us to adjust train

capacity and pricing to match market demand, and set the best price for a train seat at any given time. We can manage fare discounts more effectively to attract more customers and fill empty seats, without losing revenues when customer demand is high.

As a result we were able to eliminate the advance purchase requirement for discount fares and launch a new economy Escape Fare in the Corridor, that is already attracting more customers who might otherwise travel by car.

New Schedules and Frequencies

I mentioned a moment ago that we completed major track improvements in the Corridor.

This allowed us to reconfigure and align services more effectively to meet market demand in 2012. We announced schedule adjustments across our networks that reduced the number of frequencies on some routes while adding frequencies on others.

In the Corridor, we reduced frequencies in markets where ridership was too low to justify the existing level of service. This allowed us to reallocate resources to markets where demand is high and growing, while maintaining an adequate level of service on all routes to meet customer needs.

In January, we launched two new services between Ottawa and Toronto, one of which is an express service, arriving in under 4 hours. As work to improve track in the Corridor was completed, we added frequencies to increase the traffic on our trains. And by the end of the year, we expanded the number of departure options significantly along the Montréal-Ottawa-Toronto route – our busiest market – with faster trip times between destinations. We also added a new direct service between Québec City and Ottawa.

As you know, we also reduced the number of frequencies on our routes between Montreal and Halifax, and between Toronto and Vancouver. On the Eastern route, demand has fallen dramatically over the past 15 years and we simply could not justify the expense of operating six trains per week. We reduced the frequency to three trains per week, so we can focus more effort and resources to improve the quality of service for those who choose to travel by train.

And on the Western Route, demand during the peak summer season remains high but is much lower during the off season. We reduced the number of off-season trains to better match demand – continuing to deliver a quality year-round transportation service, while improving peak season service, to match a growing demand from travellers across Canada and from overseas markets.

Inter-modality: More Connections for Customers

Our adjustments to service levels and frequencies go hand-in-hand with a new intermodal strategy fully developed in 2012.

VIA Rail connected its services with those of eight new intermodal partners in 2012, bringing the total number of partners – motor coach lines, airlines, shuttle and commuter services -- to fifteen across Canada. These partnerships allow us to harmonize our schedules and, in some cases, sell combined tickets in a single transaction. And by offering customers a simple, one-stop solution for door-to-door travel, we have greatly increased their travel options – and made travel on our connected network more attractive.

These partnerships, particularly with GO Transit and Robert Q in Southwestern Ontario, have actually expanded the number of travel options in many markets where we reduced train frequencies. For example, the travel options to get to Niagara Falls region have increased from four per day by VIA train alone, to 42 per day through our partnership with GO. And we provide seamless planning, booking and payment online for customers who want to use these options.

Looking Ahead

All of these initiatives add up to significant changes in the way we operate as a passenger service. It will take time for customers and markets to adjust to the new options available, and to see how these changes produce long-term results.

But the early results are look promising.

Our Chief Financial and Administrative Officer is going to give you a quick overview of the results so far.

But let me say this: after a very busy and challenging year in 2012, I am confident that we have started 2013 on a better footing.

We are making the right changes to put VIA Rail on track as a viable service for the future.

Thank you.