



Speaking Notes

Montreal, May 28, 2013

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DELIVERED IN MONTRÉAL – 2013 ANNUAL PUBLIC MEETING
CHECK AGAINST DELIVERY**

Both Mr. Smith and Mr. Laliberté have hinted that 2012 was a “challenging” year for VIA Rail. I get to tell you what that means in terms of performance numbers.

Let me start by telling you that the year really was challenging. In terms of ridership and revenues, the numbers are not as cheerful as we would like them to be.

But let me quickly add that the numbers are not as discouraging as they might appear at first glance. In fact, VIA Rail continued to improve its financial position, both commercially and operationally, in 2012 even with lower revenues. In the three years ending with 2012, VIA Rail has reduced its government funding by \$38.6 million.

So there really is good reason for optimism about the future.

Ridership and Revenues

First, let’s look at ridership and passenger revenues in 2012. They both decreased slightly during the year. Total passenger revenues were 2.9 percent lower than in 2011, while total miles travelled by all passengers dropped 2 percent.

During the fourth quarter of 2012, ridership and revenues decreased most significantly where we made frequency adjustments. In Southwestern Ontario revenues decreased 15.5 percent. For the Ocean, which runs from Montréal to Halifax, revenues dropped 28.1 percent. And for the Canadian in the West, they decreased by 8.7 percent.

This was partly offset by a slight increase in revenues for Montreal-Ottawa-Toronto services. As a result, the total drop in revenues for the quarter was 4.4 percent.

While this is not what we would like to see, the important point to keep in mind here is this: the frequency adjustments were for services that were not even close to being profitable. So while they produced a drop in ridership, they generated greater savings in operating expenses. Purely on a profit-loss basis, the adjustments make sense.

Operating Expenses

Operating expenses before amortization of deferred capital funding and corporate taxes increased by 4.5 percent in 2012.

This increase does not directly relate to our regular operation. In fact, the direct costs of operating our trains had little to do with it. The increase comes primarily from the higher amortization, higher pension costs and lower gains on derivative financial instruments.

Impact of 2012 Initiatives

If we set aside pension costs, VIA Rail achieved the financial goals set out in its annual corporate plan for 2012. But it was tough getting there.

That's why the kind of initiatives Marc was talking about are so important, to achieve real, significant growth in revenues and financial stability for passenger rail.

It is too early to say for sure what the long-term benefits of these initiatives will be. The results we have seen so far are very encouraging.

For example, during the last quarter of 2012, after most of these initiatives had been launched:

- Passengers taking the train between Montréal and Québec City increased by more than 10 percent compared to the last quarter of 2011.

- Passengers taking trains in the Montréal-Ottawa-Toronto triangle took advantage of more frequent and faster services, and ridership increased by more than 10 percent.
- On our Eastern and Western long-haul services, where frequencies were reduced, occupancy rates for the quarter jumped from 58 to 67 percent, meaning fewer trains but more passengers per train.
- During the Christmas holiday season, December 20 to January 6, ridership on the Western long-haul jumped 14 percent compared to the previous year's holiday season.

There are also good signs when we look at results of the first quarter of this year.

- During the Easter holiday weekend, overall ridership increased by 2.4 percent compared to the 2012 Easter weekend – with an increase of more than 10 percent in the Corridor. There was a 13 percent increase in revenue-per-passenger on segments of both the Eastern and Western long-hauls.
- Our total revenue-per-employee – a measure of VIA Rail 's overall productivity – jumped to \$93,000 in the first quarter, compared to \$89,000 in the first quarter of 2012.

These kind of results show that VIA Rail's initiatives to improve passenger rail are already making a difference. We are making passenger rail more attractive to customers, in the right markets, and we are delivering our services more efficiently.

I am confident that VIA Rail will see continued improvements – in ridership, revenues and productivity – as we move forward in 2013.

Thank you.