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SUMMARY OF THE 2022 – 2026 CORPORATE PLAN AND 2022 OPERATING AND CAPITAL BUDGETS

November 8, 2022

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EXECUTIVE SUMMARY

Operating Environment & Overall Performance

In 2019, VIA Rail's ridership exceeded 5 million passengers, its best ridership ever on its existing network and its highest annual ridership in the last three decades. However, the exceptional challenges brought about in 2020 and 2021, when the transportation sector faced unprecedented impacts due to the spread of the COVID-19 virus, made it impossible for VIA Rail to continue the positive ridership trend that began in 2014.

Although the ultimate evolution and recovery of travel demand is dependent upon the rate of containment of the virus and its variants, increasing rates of vaccination and a strong modernization plan for VIA Rail provide a positive outlook for 2022 and thereafter.

VIA Rail continues to progress with its strategic plan and major projects, such as High Frequency Rail, Corridor Fleet Renewal, Heritage Fleet Modernization, station upgrades and the new reservation system while prudently navigating the pandemic and managing its financials. Funding appropriated to VIA Rail through Budget 2021 and 2022 will also further the transformation underway at VIA Rail.

Major Objectives & Modernization Projects

VIA Rail's underpinning modernization strategy for the current Corporate Plan includes five major objectives:

1. pursue service improvements and growth opportunities,
2. deliver a reliable, efficient and personalized service to passengers and communities,
3. find new ways to create value for passengers by constantly rethinking our ways,
4. become a leading transportation corporation focused on responsible, social, environmental and economic sustainability,
5. offer an inclusive, results-oriented and innovative culture.

Within each objective are several projects and targeted activities that are designed to support the achievement of the overall strategy. VIA Rail's foremost activities are: the support of High Frequency Rail, Heritage Fleet Replacement, and Corridor Fleet Renewal.

Those foremost activities are not enough on their own. If the rights-of-way and the rolling stock are to be utilized to transform intercity passenger rail, then VIA Rail must renew and modernize fundamental elements of its business. Namely, it must conclude new agreements for access to third-party infrastructure (i.e. tracks and stations) and invest in the condition of its facilities.

Throughout the modernization, VIA Rail will also continue its commitment towards accessibility, sustainability and several other strategic, ancillary activities described in this corporate plan.

High Frequency Rail (HFR)

Since, June 2019, the Government of Canada – in combination with partners such as Canada Infrastructure Bank (CIB) – has invested significant amounts to explore and further VIA Rail's HFR proposal.

Among those investments, \$490 million was provided to VIA Rail in the 2021 Federal Budget. These funds will be used on targeted investment projects to improve current and future fluidity in the greater area of Montreal.

In alignment with the Request for Expression of Interest (RFEOI) announced by Transport Canada in March of 2022, VIA Rail will provide support in a number of support activities related to the HFR project, such as the creation of the wholly owned subsidiary ("Subsidiary") which will operate like a parent Crown corporation with certain exceptions and will serve to develop and implement the HFR project, in accordance with Orders in Council 2022-0259, 2022-0260 and 2022-0261 dated March 24, 2022.

Heritage Fleet Replacement

There are more than 250 cars and locomotives in VIA Rail's Heritage Fleet, of which a limited quantity are being refurbished through the Heritage Fleet Modernization Program. The ageing cars and locomotives that were not included in the Heritage Fleet Modernization program require investments to allow them to continue operating reliably until the potential arrival of a new fleet. VIA Rail will plan for a capital program to improve the reliability of the cars that were unable to join the Heritage Fleet Modernization program.

Access to Third-party Infrastructure

Within the current planning period VIA Rail must renew three access agreements, one with CN and two with Metrolinx, that are fundamental to its regular operations as well as its foremost modernization activities: the support of High Frequency Rail, Heritage Fleet Replacement, and Corridor Fleet Renewal.

Negotiations around Union Station are ongoing and VIA Rail could still face difficulty accessing or increasing frequencies in Toronto due to the pressure exerted by Metrolinx's expansion.

VIA Rail and CN continue to respect the terms of the existing TSA until a new agreement can be reached.

VIA Rail believes that the best solution to address the unbalanced relationship between itself and third parties is that future access agreements should leverage best practices regarding capacity and punctuality management.

Maintenance Deficit of VIA Rail's Facilities

The 2022 Federal Budget awarded \$212 million to VIA Rail so that it may maintain, and upgrade stations and maintenance centres in the Windsor to Quebec City corridor.

Quebec-Windsor Corridor Fleet Renewal

In the Corridor, the first trainset has arrived and been put into testing. Deliveries of trainsets to be put into service are expected to begin in the second half of 2022 at which time millions of VIA Rail passengers who travel Canada's most popular route will be able to experience a new age of passenger rail transportation.

To enable the Corridor Fleet Renewal and adapt operations to the requirements of the new trainsets, VIA Rail is proceeding with upgrades to the Montréal and Toronto Maintenance Centres. Funding for these upgrades will be covered by appropriations from Budget 2018 as well as those from Budget 2022.

Accessibility and Sustainability Commitments

VIA Rail has published a 2021-2025 sustainability plan as well as a 2022-2025 accessibility plan. These multi-year plans are designed to support its modernization program which will change the way Canadians live and travel and hence create a more accessible and sustainable future for all.

Effective Financial Management

The prudence exhibited by the Crown corporation allowed it to extend its COVID-19 relief funding (\$187.5 million) over three fiscal years instead of one. VIA Rail drew on \$90.4 million in 2020-2021 and \$67.5 million in 2021-2022. The remaining \$29.6 million will be returned to the Government.

VIA Rail expects that a progressive recovery of travel demand will continue through 2022 and thereafter. Demand for travel may only return to or exceed the level seen in 2019 sometime in 2024. Under such conditions VIA Rail – while continuing to prudently provide needed transportation services to Canadians as it has done throughout 2020 and 2021 – will be forced to seek funding in the last quarter of the Government Fiscal Year 2022-2023 and for Government Fiscal Year 2023-2024 and thereafter.

Pandemic Related Safety Measures

Since the beginning of the pandemic, the safety and security of passengers, employees, and the public has been VIA Rail's primary concern. Certain measures remain in place and are reviewed regularly to ensure constant alignment with directives and guidelines from the Government and Health Authorities.

VIA Rail implemented numerous safety measures as mentioned in the previous Corporate Plan. Notable additions since the publication of the 2021-2025 Corporate Plan are: the adoption and enforcement of a vaccination requirement policy and vaccination passports for passengers and employees, and the use of rapid testing. As directives and guidelines from the Government and Health Authorities have eased, VIA Rail has adjusted its measures and suspended requirements such as the vaccination passport and vaccination policy.

VIA Rail will regularly re-evaluate its position, utilize appropriate oversight, share the latest operational changes with the public and its stakeholders as well as the most recent financial updates with key government officials.

Conclusion

More so now than ever, VIA Rail continues to adapt to the evolving reality that all Canadians face. The Crown corporation is prepared to be a key contributor to Canada's recovery through the implementation of appropriations awarded to it by the Government of Canada in support of its modernization efforts. Its resilience, readiness to adapt, and strategies of Return to Service and Cost Containment will ensure the ongoing viability of VIA Rail and intercity rail services so essential to the wellbeing of Canada.

1. OVERVIEW

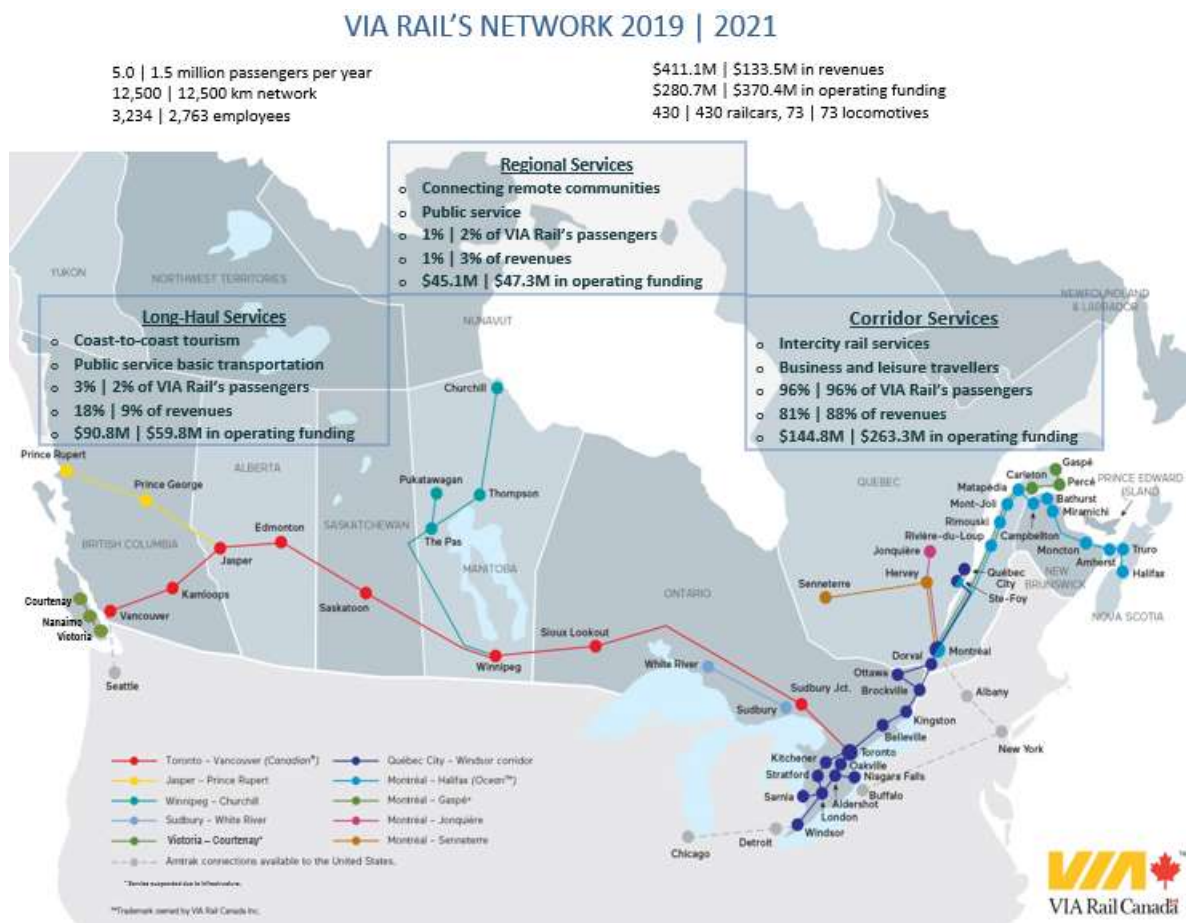
1.1. Mandate and Public Policy Role

VIA Rail Canada Inc.'s mandate is to operate the national passenger rail services on behalf of the Government of Canada, as approved through the annual Corporate Plan, offering intercity rail services and ensuring rail transportation services to regional and remote communities. Its objective is to offer a safe, accessible, efficient, reliable, sustainable, and environmentally friendly passenger rail service that meets the needs of Canadian passengers.

1.2. Vision and Mission

VIA Rail developed a strategic direction up to the year 2025 to lay the groundwork for future successes. As part of its annual Strategic Planning process, the Corporation reviews its strategic orientations and ensures that the roadmap of its initiatives and critical projects are well aligned with VIA Rail's vision to be a smarter way to move people while putting passengers first. A new roadmap visual was introduced in 2020 to communicate the introduction of its work streams. The underpinning of these work streams remains focused on long-term, high-impact projects, while also including additions relevant to the post-pandemic business environment.

1.3. Activities and Financial Condition



In a typical year, VIA Rail operates over 450 trains per week in all regions of Canada over approximately 12,500 kilometres of rail. However, 2020 and 2021, were atypical years heavily impacted by the COVID-19 pandemic. The impacts of the pandemic were such that VIA Rail was forced to alter its operations and therefore could not repeat nor improve upon the results of recent years. In 2021 VIA Rail carried 1.5 million passengers, with 3.6 million train miles

and 328 million passenger miles – while in 2019, those results were 5.0 million passengers, 6.9 million train miles and 1,055 million passenger miles.

VIA Rail has made significant efforts to contain the growth of its operating deficit and thus, its reliance on government funding. As the Corporation pursues commercial strategies to increase its ridership, the relevance of its services, and the growth of its revenues, it is imperative that these strategies not negatively impact the Corporation's bottom line.

VIA Rail's 2019 results demonstrate the impacts of those efforts. Revenues increased year-over-year since 2013 to reach a high of \$411.1 million. Furthermore, the operating deficit per passenger mile fell to approximately 26 cents. That corresponds to a decrease of 28% compared to 2013 and the lowest reported level since that year.

1.4. VIA Rail Markets & Services

VIA Rail organizes its businesses along four product groups: Central Canada (the Québec City–Windsor corridor), Eastern Canada, Western Canada, and Regional Services.

The Crown Corporation provides extensive services to Indigenous communities across Canada, many of which depend on the train as the only viable or reliable means of transportation, in many cases for both the transportation of people and goods.

The following subsections contain brief narratives of VIA Rail's services during a typical operating year.

1.4.1. Central Canada: Corridor Services

In the Québec City–Windsor corridor, VIA Rail provides intercity service between Canada's largest business and residential communities. This market consists of both business and leisure travel.

The Corridor is a year-round market. Reliability, on-time performance, number and choice of departures (frequencies), trip times, and connectivity to other modes of transportation are the critical factors that determine success in this type of high-density market.

The Corridor market consists of mostly Canadian residents travelling between Québec City, Montréal, Ottawa, Kingston, Toronto, London, Kitchener, Sarnia, and Windsor for a host of reasons (business, school, family matters, or simply visiting).



1.4.2. Long-Distance Services

The Canadian

The *Canadian* is a hybrid travel product, serving both tourism and intercity travellers along the Toronto-Vancouver route, including some remote communities.

The Ocean

The *Ocean* operates between Montréal and Halifax. This train is used by a combination of end-to-end users and intermediate point travellers, particularly between Miramichi, Campbellton, Moncton, and Halifax.



1.4.3. Regional Services

Regional services provide essential transportation to communities where alternative and affordable transportation is limited or unavailable.

These are public services offered as part of the Government of Canada's transportation system and are designed to provide transportation to all Canadians and communities, including those in remote and aboriginal areas. These services offer some seasonal peak volume, whether during cottage season in Quebec and Northern Ontario, or tourist season (Canadian and international) in Northern British Columbia and Northern Manitoba (for example, polar bear season in the Hudson Bay area in October).

2. OPERATING ENVIRONMENT

2.1. Return to Service Strategy

To navigate the unprecedented change in the operating environment caused by the COVID-19 pandemic, the Crown corporation has implemented a key guiding strategy which is a gradual gated Return to Service approach. VIA Rail monitors demand and adjusts capacity to maintain the proper balance between safety, service levels and financial performance. This approach is decision-gated with a well-defined set of signals and triggers overseen by a cross functional task force representing all of VIA Rail's functions. For each of its services, VIA Rail will work with public health authorities as well as the federal and provincial governments towards their full recovery.

The state of this Return to Service strategy is as follows:

Train Operations:

- In the Corridor, train services are adjusted in line with expected market demand.
 - In this market, where there are normally multiple daily frequencies, VIA Rail adjusts frequencies, upwards or downwards, to strike the proper balance between safety, service levels and financial performance. Corridor train services increased in early March, and are expected to increase again in June 2022. The Corridor could see a resumption of services that resembles closely the 2019 level by the end of 2022. However, the Crown corporation will have to balance the return to service with equipment constraints.
- Long-Distance train services are in partial operation.
 - The *Canadian* resumed partial services and a single weekly frequency on December 11, 2020, from Winnipeg to Vancouver. The frequency has since been extended to Toronto with sleeper and other services reinstated. Equipment limitations have forced VIA Rail to revisit the full resumption plan for this service.
 - The *Ocean* resumed with a single weekly frequency on August 11, 2021. It increased to two frequencies per week in December 2021 and then to three frequencies per week in June 2022.
- Regional train services are in partial operation.
 - Only Winnipeg-Churchill maintained operations at more than once a week in the same fashion it did prior to COVID-19. All other regional train services resumed full frequencies in the summer of 2022 as conditions continued to improve.

Onboard capacity:

Since the onset of the pandemic, for the safety of passengers and employees, VIA Rail has adjusted the onboard capacity of its trains in accordance with guidelines from governments and health authorities. With the Omicron variant which arrived in December 2021, VIA Rail reduced onboard capacity compared to the fall of 2021. Conditions have since improved, and full onboard capacity has been reinstated. VIA Rail will continue to monitor the health authority's guidance as well as global best practices to evaluate the timing and necessity of any future changes in seating capacity.

2.2. External Environment

Primary determinants of travel demand are gross domestic product (GDP), population growth, and tourism. Between 2013 and 2019, Canada's real GDP grew 2.1% per year for a total growth of 13.2%. Over the same period, Canada's population grew by 1.2% per year for a total growth of 6.1%. Finally, the period gave way to a 17.1% rate of growth of Canadian tourism GDP (nominal) and a 33.9% increase in foreign tourism.

The positive performance of the primary determinants was accompanied by the continued rise in congestion across roadways and airports, environmental awareness, energy prices, and the average age of the population. Cumulatively, these circumstances create an opportunity for passenger rail to thrive. However, the constraints of the lack of frequencies, poor On-Time Performance (OTP), and lengthy trip times impede VIA Rail's opportunity to benefit from these circumstances.

In 2020 and 2021, the external environment experienced an unprecedented shock. Demand for travel and tourism – across all modes – essentially evaporated at the peak of the pandemic. Activity for both sectors has remained depressed into the early part of 2022. Figures for real GDP demonstrate that the decline in 2020 was offset by the

gains in 2021, for a net growth of 1.0% between 2019 and 2021. Population grew 1.7%, Canadian tourism GDP (nominal) declined 34.8% and foreign tourism declined 86.2% from 2019 to 2021. Inflation reached 4.8% for the 12 months ending in December 2021 and 7.7% for the 12 months ending in May 2022. The price for energy products, commodities, food supplies and services such as rail infrastructure maintenance and construction have been significantly impacted by inflation, as well as the strain on supply chains and the labour market. Consequently, VIA Rail is facing strong upward pressure in expense categories related to those inputs and services.

While 2021 remained a difficult year with below average demand and the presence of the Delta and Omicron variants which made it difficult to foresee the ultimate level of containment of the virus, VIA Rail expects that a progressive recovery for the primary determinants of travel demand will continue through 2022. Local activity is likely to be first to shown signs of recovery, followed progressively over an extended period by inter-provincial and eventually international travel. Other circumstances that create increasing demand for rail travel, such as road congestion and environmental concerns will also return as prominent drivers.

2.2.1. High Frequency Rail in the Corridor

Due to the distances between the three large cities within the Corridor (Toronto, Ottawa, Montréal), VIA Rail's main competitor is the automobile, which typically makes up 90% of the total travel market. Evidence from popular international corridors suggests that VIA Rail can improve on its 5% share of the total car and train trip market by offering better service such as more departures, better connections and shorter travel times.

International corridors demonstrate one clear advantage over the automobile: access to the downtown core on an uncongested right-of-way. This advantage, along with frequent service, has promoted commuter and regional rail, and is now the pillar of VIA Rail's proposed HFR intercity rail project.

The following table describes VIA Rail's current and potential future competitiveness vis-à-vis the automobile in the Corridor.

	Automobile	VIA Rail Current	VIA Rail High Frequency Rail Proposal
Convenience	Always available for departure	Very limited frequencies	Significantly increased frequencies
Reliability	Subject to road congestion	Subject to freight congestion	Mostly dedicated passenger tracks
Journey Time	Increasing	Increasing	Reduced
Connectivity	Maximum	Limited by suboptimal timetable and reliability	Optimized
Price	Full cost of ownership not considered in incremental trip decision	Challenge to increase prices while providing deteriorating value	Optimized to match value

The Corridor's competitive landscape is changing. Expected growth in Canada's cities and ensuing congestion on roads and at airports will improve passenger rail's attractiveness vis-à-vis other modes and make it an essential part of Canada's mobility mix. It is VIA Rail's firm belief that passenger rail and its HFR proposal, as demonstrated in many developed nations, have an important role in alleviating congestion, while reducing the negative impacts on the environment over other modes of transportation.

2.2.2. Access to Third Party Infrastructure

VIA Rail relies on current and future access to critical pieces of infrastructure such as tracks owned by CN, tracks and platforms owned by Metrolinx and the tracks and platforms owned by InfraMTL. Those infrastructures are necessary for VIA Rail to deliver intercity passenger rail services on behalf of the Government of Canada.

The Crown corporation operates over a network of which 83% is owned by CN alone and 97.5% is owned by all third parties combined. The result is that every VIA Rail train must operate over third-party infrastructure at some point during its movement. VIA Rail therefore competes for limited track capacity with host railways (CN, CP, and others) with whom it must negotiate its Train Service Agreements (TSAs).

Due to its inferior negotiating position relative to host railways, VIA Rail has struggled to offer reliable, frequent, and on-time operations that are competitive to market alternatives and effective in their cost-recovery rates.

The Crown corporation's most significant TSA, the agreement with CN, is to be renewed in 2022. With the exception of the Sudbury-White River service, all of VIA Rail's Long-Distance, Regional and Remote services depend on access to CN infrastructure to operate.

Numerous studies, along with the findings of the OAG (2008 and 2016) demonstrate that VIA Rail's inferior position leaves the Crown corporation with little ability to ensure it receives the benefits for which it pays, let alone increase those benefits.

The modernization of VIA Rail also requires proper access to Toronto Union and Montréal Central stations. The performance and viability of the transformation is highly dependent on access to these downtown centres and major metropolitan hubs. Access to those stations is being affected by Metrolinx's expansion plan in Toronto, and by InfraMTL's acquisition of Central Station in Montréal. The former is a commuter and transit operator which is rapidly expanding and acquiring their own track from freight railroads, or constructing it themselves, as is the case with part of their Regional Express Rail (RER) project. The latter is a non-railway company which owns the rail infrastructure leading in and out of Montréal's Central Station.

Amidst the multi-billion dollars, third-party, development plans underway at each station, VIA Rail has secured agreements for access to and use of Montréal Central station. However, negotiations around Union Station are ongoing and VIA Rail could still face difficulty accessing or increasing frequencies in Toronto due to the pressure exerted by Metrolinx's expansion.

VIA Rail and Metrolinx currently have a transitional Train Services Agreement (TSA) in effect until July 31, 2022. The transitional agreement paves the way towards a new consolidated rail service and track access agreement to be reached in 2022. However, VIA Rail could face difficulty accessing or increasing frequencies given that Metrolinx is seeking to significantly increase its offering relative to current operations.

2.2.3. The Long-Distance Services

The Canadian

The *Canadian*, VIA Rail's flagship Long-Distance train, has experienced significant challenges as a result of unsustainable On Time Performance (OTP) issues, equipment challenges and limitations, as well as service delivery issues due to the hybrid nature of the service. After four years of robust revenue growth, fueled by the introduction of the high-end PrestigeClass, VIA Rail has had to modify the schedule, adding over ten hours, in order to help mitigate OTP. As well and notwithstanding the effects of the COVID-19 pandemic, as a result of CN's work programs, VIA Rail has been limited to operating a maximum of two end-to-end journeys, which, coupled with three significant schedule changes within a year, has led to significant financial difficulties.

Poor OTP has been a long-term recurring problem since 2002. Despite schedule extensions or departure time changes in 2009, 2018 and 2019 which were determined in cooperation with CN for the purpose of alleviating OTP issues, the difficulty persists. The current scheduled travel time is now significantly longer (about 24 hours) than it was prior to these extensions.

In combination, the poor OTP and schedule extensions, are imposing reduced efficiency, increased operating costs, and equipment utilization pressures. In 2009, the schedule increase required that VIA Rail create one additional train consist, with an increase from three to four consists needed to operate the three peak round trips. In 2019 the pressures intensified when the schedule change required that five train consists be used to operate the three round trip Toronto – Vancouver frequencies of the *Canadian*. With the lengthened schedule, and the difficulties of the ageing Heritage Fleet, VIA Rail is without enough cars to assemble a fifth train consist to reinstate the temporary and partial peak-season frequency on the *Canadian* between Edmonton and Vancouver in 2022. In addition, VIA Rail can only offer an accessible bedroom in four park cars, limiting our ability to expand to five consists while providing an accessible option.

In addition to the pressure from the extended schedule, the need for a replacement fleet creates an opportunity to review travel time, limited frequency, and the impacting delays to deliver better service for intercity passengers while improving the ability to ensure tourists enjoy key sites at the indicated time and for the indicated duration, and to improve the equipment condition which is also falling behind customer expectations.

The Ocean

Over the past decade, the rail infrastructure has degraded and in 2014 a 44-mile section of CN track through New Brunswick was nearly abandoned almost leaving VIA Rail to re-route or cancel the service. The operation of the *Ocean*

was also revised in 2020 when Halterm terminated VIA Rail's contract for access to the rail loop in Halifax. Furthermore, since the early 2000s, many sidings were removed due to low freight traffic and several speed limitations were added due to the deteriorating track conditions which have hindered the competitiveness of the service vis-à-vis other modes.

While the *Ocean* has maintained a respectable OTP, in 2013, frequencies were reduced from six return departures per week to three return departures. The equipment that serves the *Ocean* is also falling behind customer expectations and is due for modernization. With those conditions, the *Ocean* is not sufficiently competitive to deliver an adequate travel alternative in the multiple markets between Montréal and Halifax.

2.2.4. Regional Services

Regional services provide essential transportation to communities where alternative and affordable transportation is limited or unavailable. Please note that the VIA Rail services that follow do not reflect the service reductions and/or suspensions currently in place as a result of the COVID-19 pandemic. These services are the following:

- Jasper – Prince-Rupert (AB, BC);
- Victoria – Courtenay (BC); *Suspended*
- Winnipeg – Churchill (MB through a portion of SK);
- The Pas – Pukatawagan (MB) - managed by the Keewatin Railway Corporation;
- Sudbury – White River (ON) – Canadian Pacific;
- Montréal – Senneterre / Jonquière (QC); and
- Matapédia – Gaspé (QC). *Suspended*

These are public services offered as part of the Government of Canada's transportation system and are designed to provide transportation to all Canadians and communities, including those in remote areas. These services are highly valued by the communities they serve; and as a result of proactive improvements and initiatives, revenues increased by 12.4% from 2014 to 2016, prior to suspension of the Churchill service (service resumed in December 2018).

Nonetheless, given their very nature, these services are, of course, limited in their potential and competitive landscape, typically accounting for 1% of VIA Rail's revenues and 7% of costs.

The Victoria–Courtenay and Matapédia–Gaspé services have been suspended for safety reasons due to the poor condition of the rail infrastructure and lack of investment by host railways. The Winnipeg – Churchill service, from Amery (northeast of Gillam, Manitoba) to Churchill was also suspended for an eighteen-month period between 2017 and 2018.

Reinstatement of services may take place only once the quality of the infrastructure has been restored and VIA Rail is satisfied that it is safe to operate and that reasonable track speeds, schedules, and connectivity (for Gaspé) are achievable.

The *Société du chemin de fer de la Gaspésie*, the infrastructure owner of the Matapédia–Gaspé line, was purchased by the Government of Quebec in 2015. Later, the Government of Quebec announced planned infrastructure improvements to allow for the eventual return of passenger service. It is important to note that the Gaspé services were operated jointly with the *Ocean* service from Montréal to Matapédia, where the combined trains were split, the Gaspé services continuing onwards to Gaspé, and with the *Ocean* service continuing onwards to Halifax.

2.2.5. Grade Crossing Regulations

In November 2014 new Grade Crossing Regulations were enacted with a seven-year compliance period coming into full effect on November 28, 2021. More recently, Transport Canada approved a change in the scope of the regulations and an extension of the deadline. The extension offers an additional year for high-risk crossings and an additional three years for those that are not.

While VIA Rail is already compliant on its own infrastructure, this extension could allow more time for an equitable and transparent cost-sharing agreement to be reached with CN.

2.2.6. Office of the Auditor General Special Examinations

The 2008 and 2016 Special Examination Reports noted significant deficiencies in that the Auditor General of Canada could not obtain a reasonable assurance that VIA Rail would be able to meet the strategic challenges that it was then facing.

Amongst the deficiencies noted are that VIA Rail does not own the majority of the rails that it uses, and that its trains do not have the right of way. It also noted the increasing rail network congestion, on-time performance issues and the fact that improvements to tracks belonging to CN (Kingston subdivision) did not result in additional trains and improved travel times despite increased costs.

2.2.7. IFRS Standards Impact on Operating Expenses

IFRS requirements are such that certain projects (particularly cloud-based projects) and specific activities tied to major transformation projects have to be treated as operating expenses. This requirement will put upward pressure VIA Rail's operating costs.

VIA Rail will be asking for an allotment transfer for years 2023-2024 and 2024-25 for investments which, under IFRS, are considered as operating costs but for which the Corporation received capital funding.

2.3. Internal Environment

2.3.1. Maintenance deficit of VIA Rail Rolling Stock & Facilities

Rolling Stock

The primary cars used outside the Corridor (HEP cars) are 65 years old or older, some are subject to unexpected conditions and all are aged well beyond the industry norm of 30 to 40 years.

A new fleet is required to support VIA Rail's Long-Distance, Regional and Remote services. In the event a new fleet is approved; the procurement process is expected to last six to eight years from contract award depending on equipment requirements. The current cars and locomotives require investments to allow them to continue operating reliably until the potential arrival of a new fleet. VIA Rail will plan for a capital program to improve the reliability of the equipment and complement the scope of the Heritage Fleet Modernization program. The investments therein will improve the reliability of the Heritage Fleet for some time during the transition time towards a potential new fleet.

Facilities

VIA Rail was created in 1977 and most of its existing stations were transferred to it at that time. As such, the average age of its stations is 95 years old and several are considered landmark buildings, protected by the *Heritage Railway Stations Protection Act*: Vancouver, Winnipeg, Ottawa, Québec, and Halifax, to name a few.

With the 5-year funding awarded in 2020, VIA Rail will have certain funds available so that it does not have to focus the entirety of its spending for facilities on reactive, short-term repairs. Capital funding from this envelope affords VIA Rail the opportunity to plan on a longer horizon and support the Crown corporations modernization efforts. As such, a short to medium-term investment program has been developed for facilities that span across the country. This funding is the first of its kind in many years for VIA Rail and its arrival is timely to the upkeep and improvement of the Crown corporations facilities which face an ageing condition that, without funding, would impede VIA Rail's modernization.

2.3.2. COVID-19 Labour Force Reductions

VIA Rail's labour force has been severely impacted by the COVID-19 pandemic. This crisis has forced VIA Rail to reduce operating costs. As such, numerous measures impacting its employees have been put into effect.

Since the onset of the crisis, these measures have been counterbalanced by VIA Rail's alignment with Government actions, including that of social compassion together with an awareness of its obligations to the shareholder. The salary compensation measures themselves were aligned with the Government of Canada's COVID-19 Economic Response Plan of avoiding layoffs and protecting individuals and families from loss of income.

2.3.3. Labour Force

As of December 31, 2021, VIA Rail had 2,763 active employees. Of the active employees, 2,006 members belong to one of two unions.

- TCRC is the union that represents locomotive engineers. The collective agreement expires in December 2022.
- Unifor represents a broad class of workers totalling 300,000 individuals across Canada. The collective agreement expires in December 2024.

Various Recognitions

Forbes magazine announced that VIA Rail is amongst the Top 50 best employers in Canada for 2021. VIA Rail ranked 49th on this prestigious list and was listed fourth in the transportation industry. This is a significant increase from the Corporation's previous position of 109th.

University of Victoria's Gustavson School of Business has ranked VIA Rail as the most trusted transportation company in Canada for the fourth consecutive year according to the 2022 Gustavson Brand Trust Index (GBTI). Further reinforcing the trust that Canadians have in VIA Rail are the results of 2022 Canadian Reputation Study by Leger. VIA Rail is proud to have been ranked first in two categories among transportation companies: as an employer of choice and as the most trusted carrier.

VIA Rail was awarded the prestigious Canada Awards for Excellence in "the Mental Health at Work" category, the highest recognition of organizational excellence in the country. The Crown Corporation works tirelessly to improve its wellness offerings to help employees protect their most valuable asset: their health.

Engagement Survey

VIA Rail's overall engagement score for 2021 dropped to the level it had reached in 2020. The result remains an improvement over the score in 2019. VIA Rail continues to make a concerted effort to remind employees to care for their psychological and physical wellbeing and remains conscious of the ongoing effort and adaptation required by current circumstances.

3. OBJECTIVES, ACTIVITIES, RISKS, EXPECTED RESULTS, AND PERFORMANCE INDICATORS

3.1. High Frequency Rail

Since, June 2019, the Government of Canada has invested significant amounts to further VIA Rail's HFR proposal.

The HFR project would include dedicated passenger rail tracks between Toronto and Montreal, by way of Peterborough; and between Montréal and Québec City, by way of Trois-Rivières. This would be done by building new tracks while also upgrading infrastructure already proprietary to VIA Rail between Smith Falls–Ottawa–Montréal.

In alignment with the Request for Expression of Interest (RFEOI) announced by Transport Canada in March of 2022, VIA Rail will participate in a number of support and advisory activities related to the HFR Project such as the creation of the wholly owned subsidiary which will serve to develop and implement the project, in accordance with Orders in Council 2022-0261, 2022-0259 and 022-0260. The support and expertise VIA Rail will provide will include the technical and operational aspects of the passenger railway services, and information relating to VIA Rail's existing operations of passenger railway services in the Corridor.

VIA Rail will also implement targeted investment projects (\$491 million from Budget 2021) that will help reduce bottlenecks, improve fluidity and connectivity of VIA Rail's existing service network, and the HFR proposal.

3.2. Heritage Fleet Replacement

There are more than 250 cars and locomotives in VIA Rail's Heritage Fleet, some of which are being refurbished through the Heritage Fleet Modernization Program. To supplement the investments of the Heritage Fleet Modernization program the Crown corporation is planning a new capital investment program and taking steps towards the potential procurement of new equipment that would replace the Heritage Fleet.

The HEP cars are 65 years old or older, some are subject to unexpected conditions and all are aged well beyond the industry norm of 30 to 40 years. Hence, a new fleet will be required to support the Long-Distance, Regional and Remote services. Furthermore, VIA Rail will undertake analysis to support the potential replacement of its Heritage Fleet and seek to protect the safety and integrity of that equipment until a potential replacement fleet arrives.

In 2020 and 2021, VIA Rail responded quickly to the unforeseen conditions of the Heritage Fleet with the completion of a rigorous inspection program and the effective execution of reinforcements which remains ongoing. A program is being devised by the VIA Rail technical teams with the help of outside experts. The ageing cars and locomotives require investments to improve the reliability of those that were unable to join the Heritage Fleet Modernization program.

Although the Heritage Fleet Modernization has been complicated by the conditions affecting the Heritage Fleet the project continues to deliver on its objective of modernizing coaches and diners. The HEPII Corridor Project was completed in 2021. It is the first of the Heritage Fleet Modernization Program's projects to reach completion by delivering back into service the 16 cars refurbished at the Montréal Maintenance Centre. In that same year, VIA Rail, also awarded the contract to refurbish 17 HEPI Septa coach cars for Long-Distance, Regional and Remote services.

3.3. Access to Third Party Infrastructure

To deliver intercity passenger rail services on behalf of the Government of Canada, VIA Rail requires access to certain critical pieces of infrastructure owned by third parties. Those infrastructures include a significant amount of CN's railway tracks, the tracks and subdivisions owned by Metrolinx in the Corridor as well as the tracks and platforms they own at Union Station. VIA Rail will require access agreements for all of the aforementioned infrastructures to support its existing network of operations.

Because VIA Rail has little control over those key assets, it cannot readily add frequencies, control departure, arrival, and trip times, or OTP at or over them.

VIA Rail believes that the best solution to address the unbalanced relationship between itself and third parties is that future access agreements, for stations or tracks, should leverage and feature best practices regarding capacity and punctuality performance management and be subject to enhanced regulatory oversight that would create better conditions for passenger rail users across Canada.

These best practices would include:

- clear and transparent capacity allocation and punctuality processes,
- clear and transparent access fees,
- independent government authority that plays a major role towards solving capacity allocation and punctuality issues.

Within the current planning period, VIA Rail must renew three access agreements that are fundamental to its regular operations as well as its foremost modernization activities: the support of High Frequency Rail, Heritage Fleet Replacement, and Corridor Fleet Renewal.

- CN Train Services Agreement (CN TSA)
- Metrolinx Train Services Agreement (Metrolinx TSA)
- Metrolinx Rail Services Agreement (Metrolinx RSA)

VIA Rail and CN continue to respect the terms of the existing, but expired, TSA until a new agreement can be reached. The two are currently in discussions towards the renewal of a new agreement and VIA Rail continues to strive towards safe and effective access with a focus on addressing challenges around poor On-Time Performance.

VIA Rail and Metrolinx concluded a transitional Train Services Agreement that will expire January 31, 2023. The Train Service Agreement (TSA) governs VIA Rail's access to Metrolinx's network except for the access to the tracks and platforms at Toronto Union Station which is governed by the Rail Service Agreement (RSA). The transitional agreement paves the way towards a new consolidated rail service and track access agreement to be reached before the end of the existing agreement. VIA Rail could have difficulty accessing or increasing frequencies given that Metrolinx is seeking to significantly increase its offering relative to current operations.

3.4. Maintenance Deficit of VIA Rail's Facilities

For VIA Rail to make the most of the steps taken towards HFR, the investment in its equipment and its access agreements to third-party infrastructures it must have facilities, such as stations and maintenance centres that are up to the task of supporting its current and future activities. The 2022 Federal Budget awarded \$212 million to VIA Rail so that it may maintain, and upgrade stations and maintenance centres in the Windsor to Québec City corridor.

Examples of the work to be performed include: repairs or replacements of roofing, bricks, windows, mechanical, structural and electrical systems, as well as improvements to accessibility features and replacement of platforms.

3.5. Other Strategic and Ancillary Activities

3.5.1. Corridor Fleet Renewal

At the end of the third quarter of 2021, VIA Rail received trainset #1. It is composed of two locomotives, four coach cars and one cab car. This milestone was met on time despite the impacts from the COVID-19 pandemic and marks the beginning the operational testing phase. With first deliveries beginning in the second half of 2022, millions of VIA Rail passengers who travel Canada's most popular route will experience a new age of passenger rail transportation.

To enable the Corridor Fleet Renewal and adapt itself to the requirements of the new trainsets, VIA Rail is proceeding with upgrades the Montreal and Toronto Maintenance Centres. Funding for these upgrades will be covered by appropriations from Budget 2018 as well as those from Budget 2022.

The remaining projects of the Corridor Fleet Renewal are progressing to plan although the impact of COVID-19 on global supply chains continues to be a potential concern.

3.5.2. Enhance Passenger Rail Services in South-Western Ontario

With the goal of enhancing passenger rail services in South-Western Ontario, VIA Rail and Transport Canada are continuing to work together to explore delivery solutions that could include investments to increase capacity and improve utilization. VIA Rail will provide and support necessary research and analyses to help consider increased passenger service frequency scenarios. VIA Rail will also execute investments at London station as well as Brantford, Chatham, Sarnia, Stratford and Woodstock. The funding for those projects was provided through Budget 2022. These investments will support existing operations and also benefit any potential future enhancements to passenger rail service in South-Western Ontario.

3.5.3. Accessibility and Sustainability Commitments

VIA Rail has published a 2021-2025 sustainability plan as well as a 2022-2025 accessibility plan, both available on the Crown corporation's website. These multi-year plans are designed to support its modernization program which will change the way Canadians live and travel and hence create a more accessible and sustainable future for all.

The accessibility plan will enable its ambition to be Canada's most accessible national and intercity mode of transportation which is driven by the mindset of a barrier-free travel experience from reservation to destination. The multi-year accessibility plan charts the course for a more accessible and inclusive experience for employees at work and for passengers along their journey. Examples of VIA Rail's commitments include sign language videos on its website, accessibility awareness training and an accessible procurement process.

VIA Rail is also required to report in accordance with the recommendations issued by the Task Force on Climate-Related Financial Disclosures (TCFD) which it will do through a standalone report covering results for 2022. Furthermore, VIA Rail recently became the first land transportation company in Canada to join the United Nations Global Compact and committed to multiple sustainability objectives such as reducing GHG emissions by 30% compared to 2005, offering zero waste trains in the Corridor and reaching 80% integration of responsible sourcing by suppliers to name a few.

3.5.4. Delivery of Long-Distance, Regional and Remote Services

VIA Rail will further its preparation and analysis of the Heritage Fleet replacement. To ensure this process does not hold up the potential procurement of a replacement fleet, VIA Rail proposes that it be conducted in parallel with the procurement preparation activities. Using a flexible procurement strategy, the results of the analysis could be used in a timely fashion to inform later elements of the potential procurement activities such as final components of the car designs as well as the quantities of each car type.

3.5.5. Cost Efficiency Initiatives

VIA Rail expects that efficiencies can be implemented through the implementation of the New Reservation System, through the Entry Into Service project of the Corridor Fleet Renewal, by leveraging telework and thanks to new technologies and regulatory changes.

3.5.6. Enhance Customer Satisfaction and Booking Experience

The modernization of ReserVIA is underway to enable VIA Rail's business, update the nearly 30 years old system and allow for increased passenger bookings. The new reservation system will provide customers with a seamless, user-friendly and personalized experience, with seat selection, social media integration, personalized content, and seamless functionality across platforms and on smartphones. The new system is expected to reach implementation in early 2023.

4. FINANCIAL OVERVIEW

Financially, the company has stretched itself in the past few years to grow revenues, contain the operating deficit and the reliance on government funding, and improve on the cost-recovery ratio. However, due to the COVID-19 crisis, VIA Rail's financial performance was significantly affected, impacting both top-line and bottom-line results. The numbers presented below therefore demonstrate significant growth figures when comparing to 2019 (Pre-Pandemic results).

VIA Rail had to make numerous assumptions to estimate the financial results of the upcoming years. The Crown corporation thinks that operations could return to pre-pandemic levels in 2024 but, there remains an important risk that this assumption may not materialize, especially in light of reduced availability of equipment, and the pressure on financial results could increase during the next few years.

The following section (4.1) presents the financial plan for year 2022-2026.

4.1. Overview of the 2022-2026 Financial Plan

Revenues

Total variable revenues are forecast to grow by 251% over the Plan period (from \$117.7 million in 2021 to \$413.7 million in 2026). This assumption is made as VIA Rail expects that passengers will be back on its trains following the end of the pandemic and by 2023.

Semi-variable and fixed revenues are forecast to grow by 80% (from \$15.8 million in 2021 to \$28.4 million in 2026) over the Plan period. Semi-variable and fixed revenues are categorized as revenues not incurred from direct passenger revenues – they can be categorized as revenues from station activities, marketing and sales activities, maintenance operations, or corporate activities.

The table below provides detailed variations starting from 2019 (Pre-Pandemic) for both variable revenues and semi-variables and fixed revenues over the plan period, and it assumes that the Heritage Fleet is fully available for operations.

Expenses

As a responsible train operator, VIA Rail continuously strives to improve the efficiency of its train operations while delivering on its ambitious transformation initiatives. 2020 and 2021 were an example of VIA Rail's ability to aggressively manage its operating costs in light of the impacts of the pandemic on its business while progressing on key strategic programs such as the Corridor Fleet Replacement project and the new reservation system initiative. VIA Rail will continue to focus on continuous improvements during the life of the Corporate Plan.

For 2020 and 2021, VIA Rail significantly reduced its expenses to manage the Covid-19 pandemic and to ensure that the Crown corporation disposes of sufficient funds to adapt its service offering in a constantly evolving context. The Crown corporation has implemented cost containment strategies in order to reduce its expenses. Estimates for the Plan period take into consideration the gradual resumption of all services, leading to an increase of expenses towards pre-pandemic levels over that period.

It is to be noted that, prior to the exceptional market conditions and high inflation that have characterized 2022, VIA Rail already expected difficulties in offsetting some expenses, such as compensation increases and inflation within the Plan period despite the Crown corporation's strive to implement productivity measures. Certain expenses are tied to agreements that include provisions for price escalation based on inflation indices which have far exceeded Canada's target rate of 2% and caused expense increases to be higher than anticipated. Although certain expenses have increased significantly relative to the previous planning period, VIA Rail expects that by signing new multi-year agreements, for example for labour and track access, it can achieve predictability in these expenses over the periods covered by those agreements.

As such, variable expenses are expected to grow by 118% over the Plan period (from \$211.9 million in 2021 to \$463.2 million in 2026). This increase is mostly due to the resumption of normal services as operations increase throughout the easing of the pandemic.

Semi-variable and fixed expenses are forecast to grow 45% (from \$270.0 million to \$392.8 million) over the Plan period. Semi-variable and fixed expenses are categorized as expenses not incurred from direct passenger operations – they include expenses related to station activity, marketing and sales activity, maintenance operations, or corporate activities.

The table below provides detailed variations starting from 2019 (Pre-Pandemic) for both variable expenses and semi-variables and fixed expenses over the plan period.

4.1.1. Corridor

Variable Revenues

The Corridor is forecast to have variable revenue growth of 208% (from \$109.0 million to \$335.3 million) over the Plan period. The arrival of the new fleet starting in 2022, will allow VIA Rail to increase ridership and therefore increase its revenues.

Variable Expenses

The Corridor is forecast to have variable expenses growth of 102% (from \$153.7 million to \$311.1 million) over the Plan period.

4.1.2. The Canadian

Variable Revenues

The *Canadian* is forecast to have variable revenue growth of 1,017%% (from \$5.4 million to \$60.3 million) over the Plan period. In previous years, the adverse impact of poor OTP, long trip time delays, and uncertain arrival times were offset by an increase in revenue which is heavily reliant on tourism from foreign countries. Over the Plan period, increase in revenue is mainly achieved through the expected resumption of service, GDP growth and inflation.

Variable Expenses

The *Canadian* is forecast to have variable expenses growth of 202% (from \$27.1 million to \$81.9 million) over the Plan period. The increase in expenses is due mainly to the expected resumption of service as well as increases in salaries and inflation.

4.1.3. The Ocean

Variable Revenues

The *Ocean* is forecast to have variable revenue growth of 659%% (from \$1.7 million to \$12.9 million) over the Plan period. The increase in revenue is mainly achieved through the expected resumption of service, GDP growth and inflation.

Variable Expenses

The *Ocean* is forecast to have variable expenses growth of 326% (from \$7.2 million to \$30.7 million) over the Plan period. The increase in expenses is due mainly to the expected resumption of service as well as increases in salaries and inflation.

4.1.4. Regional Services

Variable Revenues

The Regional services are forecast to have variable revenue growth of 206% (from \$1.7 million to \$5.2 million) over the Plan period. The increase in revenue is mainly achieved through due to GDP growth and inflation together with the expected pre-pandemic levels to be achieved over the next few years.

Variable Expenses

The Regional services are forecast to have variable expenses growth of 65% (from \$24.0 million to \$39.5 million) over the Plan period. The increase in expenses is due mainly to the expected resumption of service as well as increases in salaries and inflation.

4.1.5. Capital Investment Plan and Ongoing Capital

With the 2020 off-cycle funding approved by Treasury Board, VIA Rail's sustainable capital requirements are funded until 2024. For 2025, only \$25 million is funded while \$75M remain unfunded.

Sustainable program

Station program & Maintenance Centre Program

VIA Rail owns 34 stations in the Corridor and 68 stations outside of the Corridor as well as four maintenance centres located in Montreal, Toronto, Winnipeg and Vancouver. VIA Rail is also a tenant in 11 stations in the Corridor and 24 stations outside of the Corridor.

The 5-year station program includes the upgrade and renovation of the Ottawa, Kingston and London stations as well as the replacement of platforms and roofs.

The 5-year maintenance centre program includes investment to maintain the building and equipment in a state of good repair at the 4 locations.

The above amounts do not include funding for major improvement projects or any accessibility improvements that may stem from recent legislative changes. *C-81 – Accessibility: An Act to Ensure a Barrier-free Canada and Accessible Transportation for Persons with Disabilities Regulations*. Additional information will follow in subsequent Corporate Plans.

Over the next three years, additional capital funding is crucially required to protect several critical real estate assets as they approach the end of their life cycle. If approved, those funds would address critical issues (Health & Safety, major deterioration, end of life), ensure sustainability of facilities required for the Legacy Fleet and provide mandatory facility rehabilitation of primary systems to be ready for equipment projects.

Infrastructure program

VIA Rail owns 186 miles of mainline track, with 89 bridges and 336 grade crossings.

The 5-year program includes the multi-year track and bridge program.

Information technology program

VIA Rail owns \$166 million in software and hardware.

The 5-year program includes an investment in a new reservation system and various upgrades to current systems.

As it pertains to information technology and certain services provided through those technologies, IFRS accounting standards have changed such that they must be accounted for as operating rather than capital expenditures. It is expected that the change in accounting standards will put upward pressure on VIA Rail's operating costs.

Equipment program

The corridor fleet includes 97 LRC cars, 33 HEP2 cars, 15 Renaissance cars, 7 HEP1 cars and 45 locomotives. Fleet operating in non-Corridor services include 197 HEP, 6 RDC and 38 Renaissance cars, as well as 28 F40 Locomotives.

The 5-year program includes investment to maintain the equipment in a state of good repair.

Corridor Fleet Renewal Program

The new corridor fleet will begin service in mid 2022 and arrival of new cars will continue until 2024. During the transition, VIA Rail will ensure protection of Corridor capacity and revenues; it will also seek opportunities to optimize rolling stock usage across the network. Investments required to maintain the current fleet are in progress and funding was obtained in the 2017 federal budget.

Renaissance and LRC cars will be progressively retired until the completion of the renewal program.

In addition, certain surplus equipment will be disposed of through a Memorandum of Understanding with Public Services and Procurement Canada. VIA Rail will dispose of surplus cars, the total value of which is expected to be non-material.

Infrastructure Project - 3rd Party Grade Crossings

The Federal Budget 2017 allocated \$99.9 million for VIA Rail's share of CN's grade crossing compliance project.

In 2021, Transport Canada changed the scope of the regulations. Low-risk crossings will not need to meet all requirements and the deadline has been extended using a risk-based approach for all grade crossings.

Targeted Infrastructure Investments

The Federal Budget 2021 provided \$490.1 million to VIA Rail Canada for infrastructure investments that benefit VIA Rail's existing services and would also support the overall success of the high frequency rail project. These investments will help reduce bottlenecks, improve fluidity and connectivity on the existing service network, and allow VIA Rail to take an important step towards high frequency rail in the Corridor.

2022 Budget

Budget 2022 proposes investments in facilities. The purpose of those investments is to address accumulated maintenance deficits and necessary safety work at stations and maintenance centers.

4.2. Financial Operating Performance – 2020 to 2021

4.2.1 Corridor

Variable Revenues

In 2021, 1.4 million passengers travelled in the Corridor, representing 96% of all VIA Rail's traffic and accounted for 92.8% of passenger revenues. Following an increase in ridership from 1.1 million in 2020 to 1.4 million in 2021, revenues increased by \$39.1 million, from \$69.9 in 2020 to \$109.0 million in 2021 (+55.9%).

Notwithstanding considerable improvements brought about by tactical moves, the issues of trip time and reliability will continue to put pressure on the Crown Corporation's revenue unless structural strategic change is made. Although it will continue to identify value-added segments where services can be provided at higher prices, VIA Rail believes it is reaching the limits of its broad price increase strategy and therefore will return to revenue stagnation.

Variable Expenses

For 2021, the Corridor's variable expenses have increased by \$1.3 million, from \$152.4 million in 2020 to \$153.7 million in 2021 (+0.8%). The increase is mostly due to the increase in service levels, though it was mitigated by cost containment.

Deficit and Efficiency

The Corridor's variable deficit has decreased by \$37.8 million in 2021, from \$82.5 million in 2020 to \$44.7 million in 2021. The variable operating ratio (variable revenue/variable expenses) has improved to 71% in 2021, from 46% in 2020.

4.2.2 The *Canadian*

Variable Revenues

In 2021, the *Canadian's* variable revenues have increased by \$2.0 million, from \$3.4 million in 2020 to \$5.4 million in 2021 (+58.8%), primarily due to service resumption.

Variable Expenses

The *Canadian's* variable expenses have increased by \$3.7 million, from \$23.4 million in 2020 to \$27.1 million in 2021 (+15.8%), due to service resumption.

Deficit and Efficiency

The *Canadian's* variable deficit has increased by \$1.7 million from \$20.1 million in 2020 to \$21.7 million in 2021. The variable operating ratio (variable revenue/variable expenses) has improved to 20% in 2021, from 14% in 2020.

4.2.3 The *Ocean*

Variable Revenues

In 2021, the *Ocean's* variable revenues have increased by \$0.5 million, from \$1.2 million in 2020 to \$1.7 million in 2021 (+41.7%) primarily due to service resumption.

Variable Expenses

In 2021, the *Ocean's* variable expenses have decreased by \$6.3 million, from \$13.5 million in 2020 to \$7.2 million in 2021 (-46.6%), due to cost containment measures.

Contribution and Efficiency

The *Ocean's* variable deficit has decreased by \$6.8 million from \$12.3 million in 2020 to \$5.5 million in 2021. The variable operating ratio (variable revenue/variable expenses) has improved to 23% in 2021, from 9% in 2020.

4.2.4 Regional Services

Variable Revenues

In 2021, the Regional services' variable revenues have increased by \$0.5 million, from \$1.2 million in 2020 to \$1.7 million in 2021 (+41.7%) primarily due to service resumption.

Variable Expenses

In 2021, the Regional services' variable expenses have decreased by \$6.0 million, from \$30.0 million in 2020 to \$24.0 million in 2021 (-20.0%), due to cost containment measures.

Contribution and Efficiency

The Regional services' variable deficit has decreased by \$6.5 million from \$28.8 million in 2020 to \$22.3 million in 2021. The variable operating ratio (variable revenue/variable expenses) has improved to 7% in 2021, from 4% in 2020.

4.3. Other Revenues and Expenses

4.3.1 Travel Policy Guidelines and Reporting

VIA Rail forecasts an increase in travel and entertainment expenses, from \$0.5 million in 2021 to \$1.6 million in 2026. In 2019, the expenses related to travel and entertainment totaled \$1.5 million. Expenses in that category significantly decreased due to the pandemic and of work from home policy. Over the Plan period, expenses will increase more rapidly in 2022 and 2023 as train services are reintroduced, and will grow at an average annual rate of 2.0% starting in 2023.

4.4. Previous capital programs – 2014 to 2020

2017 Federal Budget program

The Federal Budget 2017 allocated \$99.9 million for VIA Rail's share of CN's grade crossing compliance project.

In 2021, Transport Canada changed the scope of the regulations. Low-risk crossings will not need to meet all requirements and the deadline has been extended using a risk-based approach for all grade crossings. High-risk crossings received only a one-year extension, while all other crossings received three years. Therefore, it is expected that the project will continue beyond Government Fiscal Year 2021-22.

VIA Rail has already requested a reprofile, through the Supplementary Estimates C and ARLU process.

The Federal Budget 2017 also provided \$324.4 million for ongoing capital and equipment projects. As of December 2021, VIA Rail spent \$316.3 million (97.5%) of this envelope; leaving \$8.1 million to be spent on the Heritage Fleet Program in future years.

2018 Federal Budget program

The Government of Canada announced on March 19, 2018 the replacement of VIA Rail's Québec City–Windsor Corridor fleet with 32 new, modern trainsets that are safer, more accessible, reliable, will have improved amenities, and will be more environmentally friendly.

The funding for this initiative is \$1.5B. At the end of December 2021, VIA Rail spent \$428.9M (28.8%) for this important project leaving \$1 060.8 million to be spent in future years.

2020 Federal Budget program

The Federal Government's Off-cycle decision in 2020 provided \$500.0 million for ongoing capital projects. As of December 2021, VIA Rail spent \$126.2 million (25.2%) of this envelope; leaving \$373.8 million to be spent in future years.

2021 Federal Budget program

The Federal Budget 2021 provided \$490.1 million to VIA Rail Canada for infrastructure investments that benefit VIA Rail's existing services and would also support the overall success of the high frequency rail project. These investments will help reduce bottlenecks, improve fluidity and connectivity on the existing service network, and allow VIA Rail to take an important step towards high frequency rail in the Corridor. As of December 2021, VIA Rail spent \$0.2 million of this envelope; leaving \$489.9 million to be spent in future years.

4.5. Covid-19 Relief funding Fall Economic statement 2020

The Covid-19 Fall Economic Statement provided VIA Rail with additional funding of \$187.5 million in order to address the revenue shortfall that could not be covered by the key strategies implemented by VIA Rail.

For Government Fiscal Year 2020-2021, VIA Rail spent \$90.4 and for Government Fiscal Year 2021-2022, VIA Rail spent \$67.5M of this envelope.

4.6. Audit Regime

VIA Rail is subject to three types of audits: internal audits, external annual financial audits, and periodic special examinations. An independent firm, KPMG, performs internal audits on an on-going basis and provides findings and recommendations to the Audit & Pension Investment Committee of VIA Rail's Board of Directors. The Office of the Auditor General of Canada also has free access to perform such audits. Beyond its ability to inquire into regular audits, the Office of the Auditor General of Canada is responsible for performing the annual external financial audits and special examinations every few years. The most recent special examination was completed in 2016.

As per *Financial Administration Act* requirements, these audits ensure that VIA Rail's:

- transactions comply with the regulations, the charter and by-laws of the Corporation, and any directive given to the Corporation;
- operations are carried out effectively;
- financial, human, and physical resources are managed economically and efficiently; and assets are safeguarded and controlled.

ANNEX 1. MINISTERIAL MANDATE LETTER

VIA Rail aligns with the guidance expressed in the Prime Minister's Minister of Transport Mandate Letter of December 12, 2021, that was communicated to the President and Chief Executive Officer by the Honourable Omar Alghabra, Minister of Transport.

Via Rail will support the mandate which includes instruction for the Minister of Transport as quoted below:

"As Minister of Transport, your immediate priority is to enforce vaccination requirements across the federally regulated transport sector that are in place and to continue to advance the restart and rebuilding of the commercial air sector. You will also prioritize work to make High Frequency Rail a reality, and to advance measures that support Canada's transition to net zero, including accelerating the transition to zero-emission vehicles.

To realize these objectives, I ask that you achieve results for Canadians by delivering the following commitments.

- Require that travellers on interprovincial trains, commercial flights, cruise ships and other federally regulated vessels are vaccinated, and continue to work with the federally regulated transportation sector to ensure that COVID-19 vaccination is prioritized for those workers.
- Continue working with the Minister of Public Safety and the Minister of Health to protect the health and safety of Canadians through safe, responsible and compassionate management of the border with the United States and other ports of entry into Canada.
- Launch a procurement process and move forward with the High Frequency Rail project in the Toronto to Québec City corridor using electrified technology, working towards the ultimate goal of extending the high frequency rail project to Southwestern Ontario."

<https://pm.gc.ca/en/mandate-letters/2021/12/16/minister-transport-mandate-letter>

ANNEX 2. CORPORATE GOVERNANCE STRUCTURE

Board of Directors

Like all Crown Corporations, VIA Rail was established to allow it to operate at arm's length from its sole shareholder, the Government of Canada. As a non-Agent Crown Corporation, VIA Rail's Board of Directors is responsible for overseeing the following:

1. the strategic direction and management of the Corporation;
2. the analysis of business cases and service levels;
3. the expenditure of operating and capital funds granted by the Government; and
4. the approval of all strategies, initiatives, investments, budgets, Corporate Plans, high-value contracts and also reports on VIA Rail's operations to the Canadian federal government.

In order to ensure maximum efficiency, the Board of Directors is comprised of individuals who possess a strong and relevant balance of skills, knowledge and experience to support the achievement of VIA Rail's vision and strategic objectives.

Both the Chairperson of the Board and the President and Chief Executive Officer are appointed by the Governor in Council on the recommendation of the Minister of Transport whereas the Directors are appointed by the Minister of Transport with the approval of the Governor in Council.

In March of 2022, Ms Françoise Bertrand was re-appointed as **Chairperson** of the Board of Directors for 18 months. In order to oversee strategic direction and management of the Corporation, as well as each of the four committees, the Board of Directors meet at least four times annually (once every quarter), with other meetings scheduled as needed. Currently, meetings for 2022 are scheduled for February 3 and February 16-17; March 21-23; May 17-19; August 22-24 and November 16-18.

Ms Cynthia Garneau was appointed President and CEO in May 2019 for a five-year term. Along with VIA Rail's Executive team, she is responsible for directing the operations of the Corporation. On May 20, 2022, Ms Cynthia Garneau stepped down as President and CEO. Minister of Transport, Omar Alghabra, subsequently announced that Mr. Martin R Landry was being appointed to ensure the business continuity.

The Board of Directors reports to the Minister of Transport and consists of **the** Chairperson, the President and Chief Executive Officer and eleven other Directors. All members of the Board sign a Code of Ethics reflecting the spirit and intent of the *Federal Accountability Act, S.C.2006, c.9*, which sets out standards of transparency and accountability for the Officers and Directors of Crown Corporations.

The table below presents the composition of the Board of Directors as of September 2022, as well as details regarding the Directors. Note that a request for the renewal of Mr. Gallivan's mandate was presented on August 2, 2022; and, for Ms Mowat and Mr. Tan's there has not been any request for renewal. Under section 105(4) of the Financial Administration Act they continue in office until their successors are appointed.

VIA Rail Canada – Board of Directors					
Name	Location	Appointment date	Expiration date of the term	Term length	Term
Françoise Bertrand	Montreal (QC)	April 12, 2017	Oct. 11, 2023	5+1.5 years	Second
Kathy Baig	Laval (QC)	June 21, 2017	Feb. 24, 2024	4+3 years	Second
Grant Christoff	Vancouver (BC)	March 28, 2019	March 27, 2023	4 years	First
Daniel Gallivan	Halifax (NS)	June 21, 2017	Sept. 29, 2022	3+2 years	Second
Jonathan Goldbloom	Montreal (QC)	June 21, 2017	Feb. 24, 2026	4+4 years	Second
Miranda Keating Erickson	Calgary (AB)	March 28, 2019	March 27, 2023	4 years	First
Jane Mowat	Toronto (ON)	Sept. 29, 2013	Sept. 30, 2021	4+3+1 years	Third
Glenn Rainbird	Belleville (ON)	June 21, 2017	Feb. 24, 2024	4+2 years	Second
Gail Stephens	Victoria (BC)	June 21, 2017	Feb. 24, 2026	4+4 years	Second
Kenneth Tan	Richmond (BC)	June 21, 2017	Sept. 29, 2022	3+2 years	Second
Vianne Timmons	(St-John's (NL)	March 28, 2019	March 27, 2023	4 years	First

The biographies of the Board of Directors are available at: <https://corpo.viarail.ca/en/company/board-directors>

Committees of the Board of Directors

Four committees assist the Board of Directors in oversight: the (i) Human Resources Committee, (ii) HFR & Stakeholders' Relations Committee, (iii) Major Projects / Fleet Modernization Committee, (iv) Audit & Pension Investment Committee.

i. The Human Resources Committee is responsible of overseeing and monitoring the following:

1. The performance evaluation and compensation of the President and CEO;
2. The performance evaluation and compensation of Executive Officers;
3. The design and implementation of employee compensation, incentives, benefits and retirement plans;
4. The effectiveness of the organizational structure;
5. The design and implementation of management's development and succession plans;
6. The management of employee and labour relations, including negotiation mandates for unionized employees;
7. The occupational health and safety framework;
8. The design and implementation of the human resources strategic plan; and
9. The risk identification, evaluation and treatment related to each topic listed above.

The members of the Human Resources Committee are as follows:

Miranda Keating Erickson, Chairperson;
Jonathan Goldbloom;
Vianne Timmons;
Daniel Gallivan;
Gail Stephens; and
Glen Rainbird.

ii. The HFR & Stakeholders' Relations Committee is responsible of overseeing and monitoring the following:

1. The development and implementation of a practical and achievable strategy to transform passenger rail service for Canadians in the Quebec City – Windsor Corridor by connecting more communities with more departures, improved schedules, shorter travel times, better on-time performance and new trains delivered through the Corridor Fleet Renewal Project (the "HFR Project");
2. The Corporation's communication plan related to its stakeholders to ensure that it supports the strategic and commercial objectives of the Corporation and that the Corporation maintains its social license from Canadians to

operate Canada's national passenger rail service while developing positive and productive relationships with all the Corporation's stakeholders;

3. Key corporate reports including the Corporation's Annual and Quarterly Reports;
4. The standards of integrity and behaviour adopted by the Corporation; and
5. The risk identification, evaluation and treatment related to the topics listed above.

The members of the HFR & Stakeholders' Relations Committee are as follows:

Jonathan Goldbloom, Chairperson;
Vianne Timmons;
Grant Christoff;
Daniel Gallivan;
Jane Mowat; and
Kathy Baig.

iii. Major Projects / Fleet Modernization Committee is responsible of overseeing and monitoring of the following:

1. The major projects & programs identified as such by the Major Projects / Fleet Modernization Committee, including but not limited to:
2. The acquisition and conditioning of the new fleet of trains for the Quebec City – Windsor Corridor in compliance with the procurement and project management processes established by the Corporation (the "Corridor Fleet Replacement Program") which also includes the upgrading of the VIA Rail Montreal Maintenance Centre and the VIA Rail Toronto Maintenance Centre, in order to deploy, service and maintain VIA Rail's Heritage and new fleet and equipment, without jeopardizing the Corporation's current maintenance operations (the "Maintenance Facilities Upgrade Program");
3. The refurbishment of the Heritage fleet (the "Heritage Fleet Modernization Program" together with the "Corridor Fleet Replacement Program" and the "Maintenance Facilities Upgrade Program", the "Fleet Modernization Program");
4. The Corporation's policies, practices and procedures regarding management of major projects & programs;
5. The monitoring of capital spending;
6. The risk identification, evaluation and treatment related to each topic listed above.

The members of the Major Projects/ Fleet Modernization Committee are as follows:

Glenn Rainbird, Chairperson;
Miranda Keating Erickson;
Jane Mowat;
Kenneth Tan; and
Kathy Baig.

iv. The Audit & Pension Investment Committee is responsible of overseeing and monitoring the following:

1. The Corporation's financial reporting and disclosure such as the quarterly and annual reports, the financial statements, the MD&A and the related press release;
2. the business cases for major projects & programs requiring expenses in capital or considered out of "normal course of business" exceeding \$10M or \$5M if deemed high risk, excluding business cases for projects or programs pertaining to the High Frequency Rail Project, the whole in accordance with the Corporation's Authority Matrix;
3. The financial components of the five (5)-year Corporate Plans along with the annual operating and capital budgets and their alignment with the strategic orientations approved by the Board of Directors;
4. The Corporation's internal control practices, including the internal audit process;
5. The Corporation's external audit process, including any special examination launched by the Corporation's external auditors;
6. The legal & regulatory compliance framework applicable to the Corporation;
7. The pension plans and supplemental retirement plans investment performances, policies and related matters thereto; and
8. The risk identification, evaluation and treatment related to each topic listed above.

The members of the Audit & Pension Investment Committee are as follows:

Gail Stephens, Chairperson;
Grant Christoff;
Jane Mowat;
Kenneth Tan; and
Glenn Rainbird.

v. The Governance Committee is responsible of overseeing and monitoring of the following:

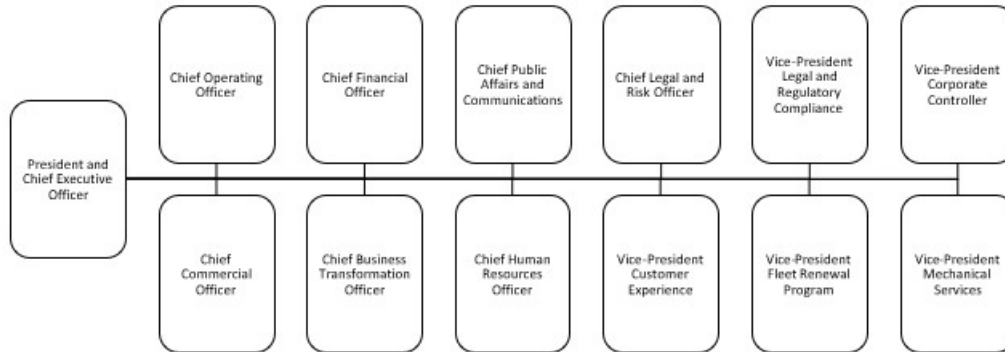
1. The implementation of governance policies and best practices, taking into account the Corporation's status as a Federal Crown Corporation and the HFR Entity as an agent of the Crown;
2. The effectiveness of the Boards and of their respective committees;
3. Director appointments and re-appointments on the HFR Board and work with the Government on director appointments and re-appointments for the Corporation's Board as per the provisions of the Financial Administration Act (the "FAA"); and
4. Any governance-related issues with respect to the "High Frequency Rail" project.

The members of the Governance Committee are as follows:

- Daniel Gallivan, Chairperson
- Gail Stephens; and
- Jonathan Goldbloom

VIA Rail's Executive Leadership Structure

Below is represented the organisational chart of VIA Rail executive leadership structure, comprised of the President and CEO as well as the Officers.



Executive compensation

The table below presents a range for the executive compensation for the President and CEO as well as for the officers.

Executive Compensation Range Disclosure ¹		
Cash Compensation ²	President and CEO	Officers
Base Salary Range	\$352,400 - \$413,500	\$204,445 – \$327,984
Incentive Program Range	13% - 28%	35% - 50%
Total Compensation Range per Calendar Year	\$398,212 – \$529,280	\$276,000 – \$491,976

Perquisites Program	President and CEO	Officers
Car Allowance	\$45,000	\$24,000
Social, Sport Club Memberships		
Health Care Spending account		
Comprehensive Medical Exams		
Financial Planning Services		

On December 31st, 2021, Executives were: President and Chief Executive Officer, Chief Operating Officer, Chief Business Transformation Officer, Chief Financial Officer, Chief Commercial Affairs Officer, Chief Legal and Risk Officer (vacant), Chief, Public Affairs and Communications Officer, Chief Employee Experience Officer, Vice-President, Customer Experience, Vice-President, Fleet Renewal Program (vacant), Vice-President, Corporate Controller and Vice-President, Mechanical Services.

The Cash Compensation does not report the actual salary and incentives paid to Executives but merely the range for their respective positions.

ANNEX 3. FINANCIAL STATEMENTS AND BUDGETS

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
OPERATING AND CAPITAL BUDGETS

VIA FISCAL YEAR ENDING DECEMBER 31								
(MILLIONS OF DOLLARS)	ACTUAL		PLAN					TOTAL
	2020	2021	2022	2023	2024	2025	2026	2022-2026
Operating	507.8	504.0	690.0	823.9	809.4	848.1	884.7	4,056.1
Capital	252.9	226.4	512.2	920.8	683.1	260.9	196.5	2,573.5
Total	760.7	730.4	1,202.1	1,744.7	1,492.5	1,109.1	1,081.2	6,629.7

ANTICIPATED SHORTFALL OR SURPLUS

VIA FISCAL YEAR ENDING DECEMBER 31								
(MILLIONS OF DOLLARS)	ACTUAL		PLAN					TOTAL
	2020	2021	2022	2023	2024	2025	2026	2022-2026
Available funding (Government Appropriation)	668.8	729.8	1,096.7	1,175.2	782.7	295.1	243.3	3,593.0
Asset Renewal Fund - Operating Funding	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.9
Anticipated External Revenues	91.9	133.5	320.7	391.0	424.4	433.2	442.1	2,011.4
Total Revenues	760.7	863.3	1,418.3	1,566.2	1,207.2	728.3	685.4	5,605.3
Anticipated Expenses (Operating and Capital)	760.7	730.4	1,202.1	1,744.7	1,492.5	1,109.1	1,081.2	6,629.7
Anticipated Surplus (Shortfall)	0.0	132.9	216.2	(178.5)	(285.4)	(380.8)	(395.8)	(1,024.3)
Proposed reprofiling of funding	0.0	(132.9)	(186.5)	93.3	188.7	37.4	0.0	132.9
Anticipated Surplus (Shortfall) after reprofiling⁽¹⁾	0.0	0.0	29.6	(85.2)	(96.7)	(343.4)	(395.8)	(891.5)
Cash on Hand	12.2	4.4	10.0	10.0	10.0	10.0	10.0	50.0

NOTE 1: Sum may differ due to rounding

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
OPERATING FUNDING STATEMENT
VIA FISCAL YEAR ENDING DECEMBER 31

(MILLIONS OF DOLLARS)	ACTUAL		PLAN					TOTAL 2022-2026	% Change 2026 vs 2021
	2020	2021	2022	2023	2024	2025	2026		
REVENUES									
Total Revenues	91.9	133.5	320.7	391.0	424.4	433.2	442.1	2,011.4	231.3%
EXPENSES									
Total Expenses	488.7	481.9	676.4	802.0	783.9	822.1	858.1	3,942.4	78.0%
Operating Deficit Before Government Subsidy and Pension Costs	396.7	348.5	355.8	411.0	359.4	388.9	416.0	1,931.0	19.4%
Government Subsidy	375.6	327.8	372.5	307.5	262.6	143.2	146.8	1,232.7	
Use of Asset Renewal Fund (ARF)	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.9	
Transfer of Capital Funding to Operations	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Operating Funding Surplus / (Deficit) before Pension	(16.9)	(20.7)	17.7	(103.5)	(96.8)	(245.6)	(269.1)	(697.4)	
PENSION COSTS									
Total Pension Costs	19.1	22.0	13.5	21.9	25.6	26.1	26.6	113.7	
less: Supplementary Government Pension Funding	36.1	42.8	25.4	40.2	25.7	3.7	0.0	95.1	
Pension Costs Funding Surplus / (Deficit)	16.9	20.7	11.9	18.3	0.1	(22.4)	(26.6)	(18.6)	
Operating Surplus / (Deficit) after Government Funding ⁽¹⁾	0.0	0.0	29.6	(85.2)	(96.7)	(268.0)	(295.7)	(716.0)	

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
SUMMARY - TOTAL CAPITAL EXPENDITURES

VIA FISCAL YEAR ENDING DECEMBER 31								
(MILLIONS OF DOLLARS)	ACTUAL		PLAN					TOTAL
	2020	2021	2022	2023	2024	2025	2026	2022-2026
Major Capital Programs								
Equipment Projects	199.5	158.6	319.5	499.9	361.1	69.3	14.6	1,264.4
Infrastructure Projects	12.3	6.8	75.3	190.9	186.9	118.6	122.0	693.7
Sub-Total Major Programs	211.8	165.4	394.8	690.8	548.0	187.9	136.6	1,958.1
Other Capital Programs	41.1	61.0	117.4	230.0	135.1	73.0	59.9	615.4
Total Capital Expenditures	252.9	226.4	512.2	920.8	683.1	260.9	196.5	2,573.5
Gov't Capital Funding Required	252.9	226.4	512.2	920.8	683.1	260.9	196.5	2,573.5
Total Gov't Capital Funding	252.9	226.4	512.2	920.8	683.1	185.5	96.5	2,398.1
Funding Shortfall / (Surplus)⁽¹⁾	0.0	0.0	0.0	0.0	0.0	75.4	100.0	175.4

NOTE 1: Sum may differ due to rounding

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
STATEMENT OF CASH FLOWS

VIA FISCAL YEAR ENDING DECEMBER 31							
(MILLIONS OF DOLLARS)	ACTUAL		PLAN				
	2020	2021	2022	2023	2024	2025	2026
Operating activities							
Net cash (used in) provided by operating activities	(50.9)	15.3	8.6	3.7	2.3	1.9	2.0
Investment activities							
Net cash (used in) provided by investing activities	62.5	(20.5)	2.0	0.0	0.0	0.0	0.0
Financing activities							
Net cash (used in) provided by financing activities	(2.8)	(2.6)	(4.9)	(3.7)	(2.3)	(1.9)	(2.0)
Cash and cash equivalents							
(Decrease) increase during the year	8.8	(7.8)	5.6	0.0	0.0	0.0	0.0
Balance, beginning of year	3.4	12.2	4.4	10.0	10.0	10.0	10.0
Balance, end of year	12.2	4.4	10.0	10.0	10.0	10.0	10.0

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

VIA FISCAL YEAR ENDING DECEMBER 31							
(MILLIONS OF DOLLARS)	ACTUAL		PLAN				
	2020	2021	2022	2023	2024	2025	2026
Operating Deficit Before Government Subsidy	(415.8)	(370.5)	(369.3)	(432.9)	(385.0)	(414.9)	(442.6)
Item (not requiring) not providing operating funds	(137.2)	(121.0)	(171.5)	(190.0)	(182.6)	(220.1)	(206.5)
Income tax expense	-	(12.3)	-	-	-	-	-
Operating loss before funding from the Government of Canada	(553.0)	(503.8)	(540.8)	(622.9)	(567.6)	(635.0)	(649.1)
Operating funding from the Government of Canada	415.8	370.5	398.0	347.7	288.3	146.9	146.8
Amortization of deferred capital funding	121.2	107.0	149.1	176.2	173.7	212.1	198.9
Net income (loss) for the year	(16.0)	(26.3)	6.3	(99.0)	(105.6)	(276.0)	(303.4)

Pro-forma Financial Statements prepared in accordance with International Financial Reporting Standards

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
STATEMENT OF FINANCIAL POSITION
VIA FISCAL YEAR ENDING DECEMBER 31

(MILLIONS OF DOLLARS)	ACTUAL		PLAN				
	2020	2021	2022	2023	2024	2025	2026
Current assets	79.0	115.0	145.2	154.0	159.5	161.6	163.8
Long-term assets	1,606.7	2,062.4	2,368.2	3,063.0	3,529.0	3,574.8	3,569.4
TOTAL ASSETS	1,685.7	2,177.4	2,513.4	3,217.0	3,688.5	3,736.4	3,733.2
Current liabilities	159.1	192.6	155.9	191.9	319.9	595.4	898.0
Other payables	16.8	22.2	40.0	60.0	0.0	0.0	0.0
Deferred income tax	0.0	22.6	0.0	0.0	0.0	0.0	0.0
Lease liabilities (Operating)	32.1	86.3	82.3	78.6	76.3	74.4	72.4
Employee benefit liabilities	97.9	41.6	53.7	59.4	61.4	62.9	64.9
Deferred capital funding	1,538.7	1,658.1	2,021.2	2,765.8	3,275.2	3,324.0	3,321.6
TOTAL LIABILITIES	1,844.6	2,023.4	2,353.1	3,155.7	3,732.8	4,056.7	4,356.9
Share capital	9.3	9.3	9.3	9.3	9.3	9.3	9.3
Balance, beginning of year	(146.2)	(168.2)	144.7	151.0	52.0	(53.6)	(329.6)
Net loss for the year	(16.0)	(26.3)	6.3	(99.0)	(105.6)	(276.0)	(303.4)
Other comprehensive (loss) income	(6.0)	339.2	0.0	0.0	0.0	0.0	0.0
Balance, ending of year	(168.2)	144.7	151.0	52.0	(53.6)	(329.6)	(633.0)
SHAREHOLDER'S EQUITY	(158.9)	154.0	160.3	61.3	(44.3)	(320.3)	(623.7)
TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIENCY	1,685.7	2,177.4	2,513.4	3,217.0	3,688.5	3,736.4	3,733.2

Pro-forma Financial Statements prepared in accordance with International Financial Reporting Standards

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
KEY PERFORMANCE INDICATORS

VIA FISCAL YEAR ENDING DECEMBER 31								
	Unit	ACTUAL		PLAN				
		2020	2021	2022	2023	2024	2025	2026
CORPORATE KPIS								
Total Revenues per Available Seat Miles (RASM)	cents	18.11	19.97	21.76	22.48	24.16	24.41	24.67
Total Costs per Available Seat Miles (CASM)	cents	100.00	75.40	46.81	47.37	46.08	47.80	49.37
RASM / CASM	%	18.1%	26.5%	46.5%	47.5%	52.4%	51.1%	50.0%
On time Performance	%	71	72	72	72	72	72	72
Train Incidents	#	2	4	5	5	5	5	5
Employee Attendance	%	94	94	94	94	94	94	94
STATISTICS								
Train Miles (thousands)	#	2,870	3,647	6,266	7,394	7,467	7,542	7,618
Car Miles (thousands)	#	14,583	18,472	34,927	41,214	41,626	42,042	42,462
Seat Miles (millions)	#	508	668	1,474	1,739	1,757	1,774	1,792
Average Psgrs per Train	#	79	90	146	128	128	129	130
Fuel Consumption (litres 000)	#	-	-	38,952	45,963	46,123	46,283	46,444
Litres of Fuel Consumed per Train Mile	#	-	-	6.2	6.2	6.2	6.1	6.1
Average Load Factor (%)	%	45	49	62	54	54	55	55
Number of full time equivalent employees during the period	#	2,826	2,370	3,300	3,450	3,558	3,583	3,628

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
RECONCILIATION FROM VIA'S FISCAL YEAR TO GOV'T FISCAL YEAR

	ACTUAL		PLAN				TOTAL		
	2020	2021	2022	2023	2024	2025		2026	
(MILLIONS OF DOLLARS)									
APPROVED FUNDING	Operating Deficit VIA's fiscal year	379.8	327.8	372.5	307.5	262.6	143.2	146.8	1,232.7
	Adjustment*	(13.5)	61.1	(86.2)	(32.4)	19.6	3.8	(0.1)	(95.2)
	Operating Deficit Gov't fiscal year	366.2	388.8	286.4	275.1	282.3	147.0	146.8	1,137.5
	Pension Expenses VIA's fiscal year	36.1	42.8	25.4	40.2	25.7	3.7	0.0	95.1
	Adjustment*	4.9	(7.4)	3.4	(14.9)	(2.8)	(3.7)	0.0	(18.1)
	Pension Expenses Gov't fiscal year	41.0	35.4	28.8	25.3	22.9	0.0	0.0	77.0
	Capital VIA's fiscal year	252.9	359.3	698.7	827.5	494.4	148.1	96.5	2,265.2
	Adjustment*	(8.6)	116.5	77.3	(84.3)	(72.8)	(62.1)	3.5	(138.3)
	Capital Gov't fiscal year	244.3	475.8	776.0	743.2	421.6	86.0	100.0	2,126.9
	Total VIA's Approved Funding	668.8	729.8	1,096.7	1,175.2	782.7	295.1	243.3	3,593.0
Adjustment*	(17.2)	170.2	(5.5)	(131.5)	(55.9)	(62.1)	3.4	(251.6)	
Total Gov't Approved Funding	651.6	900.0	1,091.2	1,043.7	726.8	233.0	246.8	3,341.4	
FUNDING REQUIREMENTS	Operating Deficit VIA's fiscal year	396.7	348.5	355.8	411.0	359.4	388.9	416.0	1,930.1
	Adjustment*	(8.5)	22.6	35.1	(39.1)	7.9	3.7	(11.8)	(4.3)
	Operating Deficit Gov't fiscal year	388.2	371.1	389.9	371.9	367.3	392.5	404.1	1,925.8
	Pension Expenses VIA's fiscal year	19.1	22.0	13.5	21.9	25.6	26.1	26.6	113.7
	Adjustment*	(0.1)	1.4	(3.0)	3.3	0.1	0.1	0.1	0.6
	Pension Expenses Gov't fiscal year	19.0	23.5	10.5	25.2	25.7	26.2	26.7	114.3
	Capital VIA's fiscal year	252.9	226.4	512.2	920.8	683.1	260.9	196.5	2,573.5
	Adjustment*	(8.6)	7.9	278.6	(1.9)	(210.5)	(74.9)	3.5	(5.3)
	Capital Gov't fiscal year	244.3	234.3	790.8	918.9	472.6	186.0	200.0	2,568.3
	Total VIA's Funding Required⁽¹⁾	668.8	596.9	880.5	1,353.7	1,068.1	675.9	639.1	4,617.3
Adjustment*	(17.2)	32.0	310.7	(37.7)	(202.5)	(71.1)	(8.2)	(8.9)	
Total Gov't Funding Required⁽¹⁾	651.6	628.9	1,191.1	1,316.0	865.6	604.8	630.9	4,608.4	

* Minus the first quarter of VIA's current fiscal year plus the first quarter of VIA's next fiscal year. VIA's first quarter is from January 1st to March 31st.

NOTE 1: Sum may differ due to rounding

VIA RAIL CANADA INC.
2022-2026 CORPORATE PLAN
FUNDING REQUIREMENTS AND SOURCES
GOVERNMENT FISCAL YEAR ENDING MARCH 31

	ACTUAL		PLAN					TOTAL	
	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2022-2026	
	(MILLIONS OF DOLLARS)								
APPROVED FUNDING	Operating Funding Reference Level	146.8	146.8	146.8	146.8	146.8	146.8	146.8	733.8
	Additional Operating Funding Approved	219.5	242.1	139.6	128.4	135.5	0.2	0.0	403.7
	Total Operating Funding - Approved	366.2	388.8	286.4	275.1	282.3	147.0	146.8	1,137.5
	Pension Funding Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Additional Pension Funding	41.0	35.4	28.8	25.3	22.9	0.0	0.0	77.0
	Total Pension Funding - Approved	41.0	35.4	28.8	25.3	22.9	0.0	0.0	77.0
	Capital Funding Approved	244.3	475.8	776.0	743.2	421.6	86.0	100.0	2,126.9
	Total Capital Funding - Approved	244.3	475.8	776.0	743.2	421.6	86.0	100.0	2,126.9
	Total Gov't Funding Approved	651.6	900.0	1,091.2	1,043.7	726.8	233.0	246.8	3,341.4
	FUNDING REQUIREMENTS	Operating Funding required	388.2	371.1	389.9	371.9	367.3	392.5	404.1
Pensions Costs Funding required		19.0	23.5	10.5	25.2	25.7	26.2	26.7	114.3
Total Capital Funding required		244.3	234.3	790.8	918.9	472.6	186.0	200.0	2,568.3
Total Via Gov't Funding Required⁽¹⁾		651.6	628.9	1,191.1	1,316.0	865.6	604.8	630.9	4,608.4
FUNDING DEFICIT	Operating Funding Surplus / (Deficit)	(22.0)	17.7	(103.5)	(96.8)	(85.0)	(245.6)	(257.4)	(788.3)
	Pension Costs Funding Surplus / (Deficit)	22.0	11.9	18.3	0.1	(2.8)	(26.2)	(26.7)	(37.3)
	Capital Funding Surplus / (Deficit)	0.0	241.5	(14.8)	(175.7)	(51.0)	(100.0)	(100.0)	(441.5)
	Total Funding Surplus/(deficit)⁽¹⁾	0.0	271.2	(100.0)	(272.4)	(138.8)	(371.8)	(384.1)	(1,267.1)
ADDITIONAL FUNDING REQUIRED	Additional Operating Funding	0.0	(29.6)	85.2	96.7	87.8	271.8	284.1	825.6
	Additional Capital Funding	0.0	0.0	0.0	0.0	0.0	100.0	100.0	200.0
	Total Additional Funding Requested	0.0	(29.6)	85.2	96.7	87.8	371.8	384.1	1,025.6
CAPITAL FUNDING REPROFILING	Proposed Reprofiting of Operating Funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Proposed Reprofiting of Capital Funding	0.0	(241.5)	14.8	175.7	51.0	0.0	0.0	241.5
	Total Capital Funding Reprofiting Requested	0.0	(241.5)	14.8	175.7	51.0	0.0	0.0	241.5

NOTE 1: Sum may differ due to rounding

ANNEX 4. RISK AND RISK RESPONSES

VIA Rail's dedicated Enterprise Risk Management (ERM) function performs regular risk assessments and the monitoring of key strategic, operational and project risks, which allows Management as well as the Board of Directors to better understand uncertainty, its impact on the Corporation's objectives and the associated treatment strategies.

Over time, VIA Rail has been deploying increasingly robust methodologies such as the use of Key Risk Indicators, Monte Carlo simulations as well as data analytics in order to improve risk management and decision support.

VIA Rail is using a tiered approach for risks where, based on their materiality, they will be discussed either at the Board of Directors' level on a quarterly basis, or kept at management level and discussed yearly as to strategic risks at the Board of Director level.

The following table outlines VIA Rail's key strategic risks, each with its own internal risk strategy. Each risk strategy is determined after consideration of the risk's likelihood, impact and controls. The four strategies are defined as follows:

- **Improve:** High-risk exposures with limited levels of mitigation/control form priorities for improvement opportunities.
- **Test:** High-risk exposures with strong mitigations/controls & management efforts form the focus for audit to provide assurance that controls are adequate and efficient.
- **Optimize:** Low risk exposures with a moderate level of mitigation/control may be consciously accepted or may be a focus to optimize the processes and controls for greater efficiency.
- **Monitor:** Low risk exposures accompanied by a lower level of mitigation/control are often considered emerging and must remain a focus for ongoing analysis and monitoring efforts.

No.	Risk
1	Execution Capacity and Efficiency
2	Positioning
3	Service Offering
4	Talent Management
5	Labour Relations
6	Ethics and Regulatory Compliance
7	Use of Technology
8	Cybersecurity
9	Access to Third-Party Assets
10	Asset Management
11	Financial Sustainability
12	Operational Security and Safety
13	Environment, Social, and Governance (ESG)

Note the risk numbers represent the label given in VIA Rail's risk register. The numbering and order of the list do not reflect priority.

The risks have been linked to the various Strategic Initiatives that are being pursued by the Corporation in order to assess which are the most interconnected and as such susceptible to impact the implementation of the organization's strategy.

VIA Rail manages all its enterprise risks and their components through a detailed risk register which includes risk drivers, controls and action plans. Though that is the case, the following section will not include a detailed look at each enterprise risk. Focus will be placed on Operational Safety and Security, Access to Third Party Assets, Positioning, Talent Management and the Corridor Fleet Renewal program.

Operational Safety and Security

This risk covers all possible operational security and safety incidents.

Examples of applied controls are:

- employee security awareness training and public awareness campaigns,
- VIA Rail police services and implementation of the Passenger Rail Transportation Security Regulations,
- digital and physical protection measures,
- inspection, maintenance and repair programs,
- hydrological studies to identify flood-prone areas and satellite imagery to identify potential threats of washout,
- psychological health & safety program.

VIA Rail maintains numerous, strong mitigations and controls in place to counter this risk. The safety of the public, passengers and VIA Rail employees has always, and will always be a top priority for the Crown Corporation.

Access to Third-Party Assets

This risk considers that operational services could be impacted by access to third-party assets.

Commercial terms of access to support flexible scheduling and on-time performance are important to the operation of regular services. The utilization of the regulatory framework, continuous monitoring of requirements and opportunities for improvement, engagement with host railways, as well as participation in industry forums are some of the measures applied to control this risk.

Positioning

VIA Rail, as one of the most trusted brands in Canada aims continue to contribute to Canada's economic, social and regional development. Its decisions and strategic initiatives may impact the perception of its ability to do so.

To control this risk, VIA Rail is positioning itself as the Government of Canada's steward for sustainable mobility through VIA Rail's ESG plan. It is also developing key partnerships with other levels of government and ensuring the Government's future mobility investments include VIA Rail as a potential player.

Talent Management

This risk considers that VIA Rail's operations could be impacted by the ability to attract and retain qualified personnel.

To control this risk, VIA Rail is working on the modernization of offerings for employees, reviewing the hiring strategy (particularly post COVID-19), adjusting the positioning and branding of the Corporation, and deployment of an updated diversity strategy.

Corridor Fleet Renewal

VIA Rail has separate and dedicated Risk Management functions specifically for this Program with a Program Risk Manager in place since inception.

This individual is responsible for the risk management process, taking a lead role in implementing and facilitating the process, assessing and analyzing risks, reporting on risk information and imbedding a risk management culture within the Program. As well the Program Risk Manager is responsible to actively identify business and program wide risks and to ensure adequate risk communication across the Program.

Risk management roles and responsibilities are also assigned to:

- The Program Director and Project Directors; responsible for the delivery of their Projects and holding Risk Owners responsible for active management of their respective risks.
- Risk Owners; the individuals within the Program that are best qualified and positioned to manage and deliver the appropriate mitigation strategies in relation to a specific risk.

The key risks (Program and Project) being monitored include, but are not limited to:

- Master Program Plan;
- Program Staffing;
- Schedule interdependencies and Critical path (Rolling Stock Acquisition Project);
- Program Governance and Internal/External Controls;
- Information Systems Integration Project; and
- Maintenance Facilities Upgrade Project.

Other Risks

The following table briefly outlines the risks that did not receive specific attention in the previous sections. Each of them was thoroughly assessed, and they are being managed with appropriate mitigation measures. The table's first column describes the risk and the second the risk's drivers.

Execution Capacity and Efficiency	The balance between maintaining ongoing operations and managing transformative initiative to achieve strategic priorities.
Service Offering	VIA Rail's ability to meet travel market needs through existing and future services.
Labour Relations	Managing complex labour agreements for VIA Rail's operational activities and transformation priorities.
Ethics and Regulatory Compliance	VIA Rail's ability to comply with changing regulations and the Code of Ethics.
Use of Technology	Managing complex technology used to support the operation and transformation of the organization.
Cybersecurity	The potential for a failure in the confidentiality or integrity of information.
Asset Management	Having equipment, fleet, and infrastructure that's appropriate to support activities now and into the future.
Financial Sustainability	Having sufficient revenue and/or funding to execute strategic initiatives and continue financial viability.
Environmental, Social, and Governance (ESG)	Managing complex integration of environmental sustainability and social accountability into the operations of the organization.

ANNEX 5. COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

Recent Legislative Changes

Access to Information

C-58 – An Act to amend the Access to Information Act and the Privacy Act

The *Access to Information Act* has been amended into two parts:

- Part I: new request and complaints processes;
 - Information commissioner's (IC) powers are expanded to include order-making;
 - Institutions may seek IC's approval to decline requests on certain grounds;
 - ATIA reports to be tabled within 15 days of the house sitting in the fall;
- Part II: New proactive publication requirements.

VIA Rail will fully comply and:

- will proactively disclose the travel and hospitality expenses of senior officials within 30 days of the month they are reimbursed via its website or <http://open.canada.ca>
- will publish its ATIP annual report on its website or on open.canada.ca 30 days after it is tabled in Parliament.

Since 2007, VIA Rail has had a dedicated unit to ensure compliance with access to information and privacy requirements. The unit has been under the responsibility of the head of the Legal Department since 2010.

Accessibility

C-81 – Accessibility: An Act to Ensure a Barrier-free Canada

This bill outlines how to identify and remove accessibility barriers and prevent new barriers, including in: built environments (buildings and public spaces); employment (job opportunities and employment policies and practices); information and communication technologies (digital content and technologies used to access it); procurement of goods and services; delivering programs and services; and transportation (by rail as well as by air, ferry and bus carriers that operate across a provincial or international border).

Royal Assent was on June 21, 2019, and Regulations came into force within two years following, no later than July 11, 2021.

Consultation on these regulations will determine whether the planning/reporting will be part of the annual Corporate Plan cycle or on a separate cycle such as ATIP/Privacy.

VIA Rail has, as per the *Accessible Canada Act*:

- published its first accessibility plan covering a three-year period. It will also continue to develop progress reports during interim years, and establish a feedback process for its employees and customers with respect to barriers to accessibility;
- include participation, with direct consultation from a diverse group of persons with disabilities.

Further, regulated entities such as VIA Rail are also expected to establish accessibility advisory committees and share each plan with the government's Accessibility Commissioner. VIA Rail has put in place its Committee in 2021 and is working with the communities to ensure compliance with the legislation.

VIA Rail has also started its planning toward ensuring that it complies with the provisions set out in the Regulations in *Accessible Transportation for Persons With Disabilities Regulations*, including all regulations applicable to Division 2 Rail Carriers, Application 86 to 133.

VIA Rail has designed and approved a three-year plan for 2021 to 2023 to comply with the legislation. The accessibility plan includes three different levels of deployment maturity across each focus area (built environment, internal and external communications, information & communication technologies, procurement, and design and delivery of services

programs), allowing VIA Rail to deploy a baseline scenario in year one against which succeeding years will be benchmarked.

The Corporation has held both public and stakeholder consultations; as well as workgroups with various partners including nine advocacy groups and Accessibility Standards Canada. These advocacy groups are on board with the baseline initiative identified for year one, specifically 2021.

It is worthwhile to note that currently every VIA Rail train provides accessible transportation to persons with disabilities. As the Canadian population continues to grow and age rapidly, the ratio and the actual number of people with disabilities will also markedly grow. VIA Rail trains provide a more accessible service than automobiles, buses, or airplanes. Further, VIA Rail is committed to continuing to make improvements, particularly with the renewal of the fleet and continuing upgrades to stations, and will fully comply with all accessibility regulations.

VIA Rail's new fleet will comply with and even exceed some regulations that were in force during the procurement process. In addition, the new fleet is being designed to meet the needs of customers with accessibility needs. Customer consultations have been an integral part of the process and will continue as the designs are finalized. To date, feedback has been extremely positive.

Canada Labour Code

Bill C-86 – Budget Implementation Act (2018)

Bill C-86, outlines changes in federal labour and employment relations regulations. The regulations come into effect in 2019 with staggered implementation dates.

The most relevant change to VIA Rail's operating environment is that, since September 1, 2019, employees are entitled to five personal days of leave for illness, certain family responsibilities, urgent matters and attending citizenship ceremonies.

- Three of the days will be paid where an employee has completed three consecutive months of continuous employment with the employer;
- 10 days for victims of family violence (five of the days are paid);
- Five unpaid days for indigenous practices.

While applicable to all employees, this change from an operational or financial perspective will affect approximately two-thirds of VIA Rail's work force. These positions are mostly operational, many customer facing, be they on-board trains or within stations. Should these employees be absent, a replacement employee will be required to maintain service. This will entail the additional expense of a second employee, possibly at overtime rates called from spare boards.

Bill C-3 – An Act to amend the Criminal Code and the Canada Labour Code (2021)

Bill C-3 received Royal Assent on December 17, 2021, and will come into force on a date to be fixed by order of the Governor in Council. This will allow time for employers to implement payroll changes and work with unions as needed to adjust collective agreements.

These changes to the *Canada Labour Code* will provide ten days of paid sick leave to all federally regulated private sector employees, which includes interprovincial rail transportation, and federal Crown corporations.

The legislation also amends bereavement leave under Part III of the *Canada Labour Code* to provide up to eight weeks of leave for employees who lose a child or experience a stillbirth.

Paid sick leave will protect workers and their families, as well as their workplaces and is an important step in the fight against COVID-19.

Pay Equity

Bill C-86 – Budget Implementation Act (2018)

A new *Pay Equity Act (PEA)* has been created, along with related amendments to the *Canadian Human Rights Act*, that aims to redress systemic gender-based discrimination in the compensation practices and systems of employers. Specifically, the *PEA* focuses on discrimination that is experienced by employees who occupy positions in predominantly female job classes, with the aim of ensuring employees receive equal compensation for work of equal value, while taking into account the needs of employers.

In contrast with the prior federal complaint-based legislation compliance will be proactive, with employers having to demonstrate that they achieved Pay Equity. As well, the definition of compensation is not limited on only base salary, but rather it will include variable pay as well as benefits.

Final versions of pay equity plan(s) needs must be posted after no later than three years following the coming into force date. The coming into force date has not been yet established.

Safe Workplaces & Leave Provisions

Bill C-65 – An Act to amend the Canada Labour Code (harassment and violence)

Among numerous recent changes to the *Canada Labour Code*, the existing framework for the prevention and reporting of harassment and violence has been strengthened. This bill amends legislation and grants authority to develop consolidated regulations for harassment and violence prevention, which includes: the requirement for comprehensive workplace harassment and violence prevention policies; courses & training; effective workplace committees; clear definitions; employee-driven resolution process with timelines. Part II of the Code is amended to include specific duties of the employer related to workplace harassment and violence, as well as to broaden the scope of those duties related to access to information. The bill expands the definition of workplace harassment and violence to include harassment and violence of a sexual nature.

Duty/Rest Rules for Railway Operating Employees

The new Duty/Rest Rules for Railway Operating Employees were approved on November 25, 2020.

The application and compliance of these new regulations will be staggered, with the following coming into force dates:

- Revision of Fatigue Management Plans: within 12 months,
- New fitness for duty processes: 24 months,
- Compliance with limits:
 - 30 months for freight railways;
 - 48 months for passenger railways.
- Different and longer thresholds for passenger services (longer periods), this will negate most of the problematic issues and additional costs and staffing.

The safety and security of passengers, employees, and the public is always VIA Rail's primary concern. VIA Rail is pleased that Regulations recognize the distinct operational differences between passenger and freight railway. The passenger rail environment is characterized by scheduled and predictable work. In particular, passenger rail operates predominantly during day and evening hours. As such it is an operating environment with a significantly reduced risk of fatigue compared to the freight rail environment.

The distinction between passenger and freight environments addresses labour force issues and potential service cancellations that VIA Rail would have faced under a unilateral application of rules. Highlights are listed below.

Locomotive Voice and Video Recorder Regulations

As Published within the Canada Gazette on September 2, 2020, Bill C-49, the *Transportation Modernization Act*, amends the *Railway Safety Act* (RSA) to require rail companies to fit their railway equipment with recording instruments. Federally regulated railways are required to install locomotive voice and video recorder systems in the cabs of controlling locomotives, no later than September 2, 2022.

The Locomotive Voice and Video Recorder Regulations (the Regulations) will provide data about in-cab operating employee actions which would otherwise not be available. The Regulations will be useful in producing data to proactively strengthen safety management systems, thus mitigating risks by preventing accidents before they occur.

The Regulations define the technical specifications required for the locomotive voice and video recording equipment. This includes environmental and crashworthiness standards, requirements for voice and video quality, placement of cameras and microphones, and synchronization of data.

The Regulations also delineate privacy protections for the access and use of the voice and video data, including the requirements for random selection, access controls, collection, communication, and the destruction of the data. There are provisions dictating the communication of data from rail companies to the Transportation Safety Board & Transport Canada. This includes the requirement for rail companies to provide the software and equipment necessary to access the data by the Transportation Safety Board and on request, to Transport Canada.

Preparatory work for implementation is progressing well, with both the technical specifications and prototype being completed and production will be starting this January. All other scopes of work are also progressing well. As well, Audio and Video quality tests continue in Ontario and Quebec. VIA Rail intends to fully comply with the Regulations.

Rules Respecting Track Safety

The Track Safety Rules regulate the maintenance of the track. On April 1, 2020, Transport Canada issued a Ministerial Order to the Railway Association of Canada (RAC) to revise the Rules Respecting Track Safety in phases:

The RAC filed the Phase 1 revision which was subsequently approved by Transport Canada and will be effective on February 1, 2022. The VIA Rail infrastructure team is revising the internal guidelines and standards, and implementation of the New VIA Track standards based on Phase 1. The rollout of the new VIA track standards is planned in mid-December for all VIA Rail contractors performing inspections and track maintenance which will allow VIA Rail to ensure compliance with the regulatory requirements on the effective date.

The RAC has shared Phase 2 with labour stakeholders (unions) for consultation prior to filing with Transport Canada and has initiated Phase 3 as of October 2021.

Minimal impacts are foreseen to VIA Rail related to Phases 2 and 3.

Enhanced Train Controls

VIA Rail is an active member of the industry Enhanced Train Controls (ETC) working groups. A multi-year plan was shared with Transport Canada for development of system requirements and key standards before 2024.

Travel, Hospitality, Conference and Event Expenditures

The Corporation's Policy is aligned Treasury Board directive for Crown Corporations guidelines and practices on travel, hospitality, conference and event expenditures including the changes put forward by the Treasury Board Secretariat effective August 1, 2020:

Amongst the changes:

- Removed the duplication in policy related to the proactive publication of travel and hospitality expenses (section 4.1.2), as this requirement is now fully covered under the [Access to Information Act](#) (ATIA). CFOs will remain responsible for the accuracy of proactive publication under the ATIA as per sections 4.2.8.3 and 4.2.13 of the [Policy on Financial Management](#). In addition, please note VIA Rail has now finalized the [Guide to the Proactive Publication of Travel and Hospitality Expenses](#);
- Added provisions prohibiting the reimbursement of travel expenditures for companions (e.g. spouses);
- Made existing provisions prohibiting private club memberships mandatory by moving them from the *Guide on Travel, Hospitality, Conference and Event Expenditures* to the *Directive on Travel, Hospitality, Conference and Event Expenditures*.

Employment Equity Act

VIA Rail must ensure that no one is denied employment opportunities or benefits for reasons unrelated to ability. Moreover, the Corporation is committed to ensuring equitable treatment for everyone, and to taking special measures to correct any disadvantages suffered by the members of the four groups designated by the Act in the field of employment, i.e. aboriginal peoples, persons with disabilities, women and persons who are, because of their race or colour, in a visible minority in Canada.

The main aim of this policy is to ensure that in all job categories, these designated groups be represented among VIA Rail employees in numbers proportionate to their representation in the labour force. Accordingly, VIA Rail has adopted action plans and programs with specific hiring objectives and the appropriate means to attain these targets, for example:

- Recognizing that professional skill is the sole criterion for hiring and promotion;
- Recognizing the value of a diverse and representative workforce, encouraging wider participation and ensuring dignity and respect for all employees.
- Planning and implementing programs, systems, policies and practices that aim to decrease any type of discrimination and promote equal employment opportunities and foster the establishment of a representative workforce.
- Promote inclusion and diversity while complying with legal obligations as regards employment equity, multiculturalism and other human rights related obligations.

Connecting people and places from coast to coast, it is only natural that VIA Rail would be committed to providing a productive and welcoming workplace that reflects the Canadian society.

Official Languages Act

In compliance with the Act, VIA Rail's policy is to:

- recognize the right of the public, and particularly passengers, to be served in the official language of their choice;
- promote the use of both official languages by its employees;
- ensure that its employees reflect the presence of both official language communities in each work group, hierarchical level and geographic location;
- cooperate fully with government and other organizations striving to promote the use of both official languages.

Through its Statement on Official Languages, VIA Rail Canada recognizes English and French as the two official languages. The Corporation is committed to taking positive measures to serve members of the public and its clients in the official language of their choice.

Pension Plan Reform Directives

VIA Rail is aligned with the Government of Canada directive for the federal public service to shift to a balanced 50/50 employee / employer share of pension contributions, as announced in Budget 2012.

Order in Council – Labour

The Economic Action Plan 2013 Act No. 1 enacted sections 89.8 to 89.92 of the Financial Administration Act, which created oversight mechanisms in relation to compensation of employees of Crown Corporations that can be triggered by Order of the Governor in Council. On December 9, 2013, an Order in Council was issued (P.C. 2013-1354) directing VIA Rail to obtain the Treasury Board's approval of its negotiating mandates with respect to collective agreements that expire in 2014 or later. It also directed the Corporation to obtain the Treasury Board's approval before fixing the terms and conditions of employment of its non-unionized employees.

On June 3, 2016, an Order in Council was issued (P.C. 2016-0443) that repealed the requirement for VIA Rail to obtain the Treasury Board's approval of its negotiating mandates with respect to collective agreements. The requirement to obtain Treasury Board approval prior to fixing the terms and conditions of employment for non-unionized employees was however maintained. Transport Canada has indicated that it intends to submit and support a Treasury Board submission towards obtaining an Order in Council to repeal this requirement.

Regulatory Requirements

VIA Rail supports and complies with the following key legislation that affect various facets of its operations:

Corporate

- Canada Anti-Spam Legislation
- Canada Business Corporations Act, RSC 1985, c C-44
- Competition Act
- Copyright Act
- Criminal Code
- Financial Administration Act, RSC 1985, c F-11
- Economic Action Plan 2013 Act, No. 1, SC 2013, c 33
- Economic Action Plan 2014 Act, No. 1, SC 2014, c 20
- Trade-Marks Act

Government Institutions

- Auditor General Act R.S.C., 1985, c. A-17
- Conflict of Interest Act, SC 2006, c 9, s 2
- Commercial Arbitration Act, RSC 1985, c 17 (2nd Supp.)

- Library and Archives of Canada Act, SC 2004, c 11
- Lobbying Act, RSC 1985, c 44 (4th Supp.)
- Privacy Act, RSC 1985, c P-21
- Public Servants Disclosure Protection Act, SC 2005, c 46

Regulatory Statutes

- Canada Transportation Act, SC 1996, c 10
- Railway Safety Act
- Canadian Transportation Accident Investigation and Safety Board Act
- Heritage Railway Stations Protection Act
- Memorandum of Understanding on Railway Security
- Canada Labour Code, RSC 1985, c L-2
- Impact Assessment Act, S.C. 2019, c. 28, s. 1
- Canadian Environmental Protection Act, 1999, SC 1999, c 33
- Canadian Human Rights Act, RSC 1985, c H-6

Trade Agreements

VIA Rail is subject to and complies with the following trade agreements:

- North American Free Trade Agreement (NAFTA) and the United States-Mexico-Canada Agreement (USMCA) once ratified.
- Comprehensive Economic and Trade Agreement (CETA) is a free-trade agreement between Canada, the European Union and its member states.

ANNEX 6. GOVERNMENT PRIORITIES AND DIRECTION

Transparency and Open Government

Within the required timeframes, VIA Rail openly publishes its Public reports such as Annual and Quarterly Reports, Summary Corporate Plans, Proactive Disclosures and Access to Information Act inquiries. The Corporation aims to respond in a timely manner to all information requests as well as reasonably address their associated concerns when feasible.

Gender-based Analysis plus, Diversity, Employment Equity

To improve the manner in which women, men and gender-diverse people may experience policies, programs and initiatives, VIA Rail has established several strategies under the GBA+ lens.

Supporting Diversity Internally

A Regional Inclusion & Diversity Network exists at VIA Rail. It is composed of employees from various cultural backgrounds who promote diversity in the workplace and holds several celebratory events throughout the year. This group was also implicated in the development of the VIA Rail's Employment Equity and Diversity plans.

The wellness of all its employees has been a primary area of focus in 2020 where VIA Rail introduced a telemedicine application to facilitate access to medical services and worked on acquiring new tools to support its employees such as the LifeWorks platform by Morneau Shepell, its new unified Employee and Family Assistance Program (EFAP) platform, which also includes Diversity and inclusion awareness material. The VIAWELL Ambassador program exists to champion workplace mental health at all levels. Ambassadors are trained to provide support, reduce the stigma of mental illness and promote employee engagement on this issue.

The Crown Corporation's management team implemented a program to enhance the representation of women at all levels of the Crown Corporation and in non-traditional roles. Some notable accomplishments of the program are: Gold Parity Certification from the Women in Governance organization, a Board of Directors composed of six women and five men, an executive team near to parity with five women and six men, a rising percent of total workforce that are women (currently 33%).

Partnering for Diversity

From year to year, VIA Rail participates in a variety of ongoing or one-off partnerships to publicly promote and engage with groups beyond biological sex and socio-cultural gender. Through these partnerships the Corporation intends to demonstrate leadership actions, equitable employment practices, inclusivity and targeted support for diverse groups. To further improve and imbed this culture VIA Rail has developed and is deploying a formal diversity and inclusion strategy.

The features of this strategy include:

- A full-time expert resource for Diversity and Inclusion (D&I).
- Having developed and launched a 3-year D&I strategy and action plan to elevate VIA Rail's diversity maturity.
- The establishment of a new D&I committee, with defined roles and responsibilities to support and promote the D&I strategy.
- The launch of the D&I Leadership Statement and commitment.
- The launch of D&I SharePoint including lexicons, training resources, strategy, and recorded events, available to all employees.
- Development and deployment of a D&I communication plan to share the D&I strategy and objectives throughout the organization, including "My Voice, My Story" for the D&I Senior Advisor.
- A review of VIA Rail's recruitment process from a D&I and Accessibility Lens.

Employment of Veterans and Reservists

VIA Rail continues to work with Veterans Affairs Canada, Canada Company Military Employment Transition (MET), and the Mission Emploi employment programs, to connect potential applicants from the Canadian Armed Forces members and Veterans with VIA Rail jobs.

VIA Rail has also put into effect an employment Policy for reservists to ensure that these members are able to take an authorized leave of absence for their military training and service without impacting their pay, benefits, and career progression.

GBA+ Statistics as at December 31, 2021

GRI / VIA RAIL INDICATOR		2021	2020	2019	2018	2017
EMPLOYEES						
102-7	Number of active employees at the end of the calendar year	2,763	2,312	3,234	3,115	2,899
405-1	Number of active male employees	1,865	1,655	2,149	2,074	1,913
405-1	% of active male employees	67%	72%	66%	67%	66%
405-1	Number of active female employees	898	657	1085	1041	986
405-1	% of active female employees	33%	28%	34%	33%	34%
102-41	Unionized employees %	73%	68%	77%	78%	81%
401-1	New Hires	289	140	587	697	545
VIA Rail	New Hires form Canadian Armed Forces	6	3	21	31	22
401-1	Employees turnover rate (%)	12%	9%	11%	11%	11%
VIA Rail	Attendance rate (%)	94%	95%	94%	94%	94%
405-1	Number of active Indigenous employees	48	38	53	54	54
405-1	% of active Indigenous employees	2%	2%	2%	2%	2%
405-1	Number of active visible minority employees	436	317	466	376	350
405-1	% of active visible minority employees	16%	14%	13%	12%	11%
405-1	Number of active people with disabilities employees	42	28	61	60	67
405-1	% of active people with disabilities employees	2%	1%	2%	2%	2%
405-1	Number of active veteran employees	59	56	90	79	50
405-1	% of active veterans employees	2%	2%	3%	3%	2%
405-1	Age group over 50 (%)	30%	34%	31%	32%	35%
405-1	Age group between 30-50 (%)	59%	57%	54%	53%	50%
405-1	Age group below 30(%)	11%	9%	15%	16%	15%
102-22	Female board directors (%)	58%	59%	58%	60%	50%

Sustainable Development and Greening Government Operations

Sustainable Development

Sustainability supports VIA Rail's strategy and modernization program and aligns with its corporate value of acting today for a better tomorrow.

In 2021, VIA Rail formalized a renewed Sustainability Plan following a formal stakeholder engagement exercise. The Sustainability Plan is built to contribute to the objectives and priorities set forth in the Treasury Board of Canada's Greening Government Strategy. The Sustainability Plan rests on six environment, social and governance (ESG) pillars, each with their own specific strategies, goals and supporting action plans. The detailed Sustainability Plan, including 2025 goals, will be available on VIA Rail's website starting in 2022.

All the key priorities mentioned above will be supported throughout their completion by communications and accountability, in order to measure the results of VIA Rail actions on sustainability.

Greening Operations

As the national passenger rail service, VIA Rail Canada is devoted to meeting its customers' current and future needs in an environmentally sustainable and responsible manner. Passenger rail is one of the most environmentally friendly modes of transportation, helping reduce the transportation sector's contribution to climate change. Switching to trains as a means of travel is less impactful on the environment than other modes of transportation.

Given the climate crisis and an unprecedented demand for sustainable mobility, the relevance of passenger rail is stronger than ever all over the world. Moreover, with bold climate action being a priority for Canada, VIA Rail has an important role to play to drive the transition towards a low carbon economy.

VIA Rail's environmental performance indicators are available in its past Sustainability Reports and, starting 2022, directly on its website. GHG inventory reporting follows the ISO 14064 international standard for quantifying and reporting GHG emissions. VIA Rail's GHG inventory covers scope 1 and scope 2 emissions. In 2019, VIA Rail reached its objective to reduce GHG emissions by 20% by 2020 compared to 2005. While it is now progressing towards its

objective of reducing GHG emissions by 30% by 2030 compared to 2005, VIA Rail will review this target in 2022 to ensure alignment with the Paris Agreement and with Canada's recently announced enhanced 2030 GHG reduction targets and net-zero commitment by 2050.

Safety

Operation Life Saver's Rail Safety Week is a yearly engagement that VIA Rail considers to be particularly important. In more than 25 cities across the country, employees man kiosks and run information sessions at railway stations, on trains, around railway crossings, and in various schools to spread awareness about the dangers of railroads and the precautions to take when approaching a railway.

National Parks

In alignment with the Ministerial Mandate to "Work with VIA Rail to make opportunities to travel to Canada's National Parks more accessible and affordable", VIA Rail and the Parks Canada Agency have initiated discussions regarding the preliminary planning and partnering of various travel opportunities to National Parks. First stages of planning already include potential excursions to parks such as Point Pelee National Park, Thousand Islands National Park and La Mauricie National Park.