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# **SUMMARY OF THE 2023 – 2027 CORPORATE PLAN AND 2023 OPERATING AND CAPITAL BUDGETS**

**October 9, 2023**

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## EXECUTIVE SUMMARY

### Operating Environment & Overall Performance

In 2019, VIA Rail's ridership exceeded 5 million passengers, its best ridership 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 have bolstered a positive outlook. Despite a difficult first half, ridership for 2022 showed signs of a strong recovery finishing the year with over 3 million passengers – more than twice its level in the previous year.

VIA Rail continues to progress with its strategic plan and major modernization projects which include but are not limited to: Heritage Fleet Replacement, Corridor Fleet Renewal, support of the Government's High Frequency Rail Project procurement and co-development phases, facilities upgrades, long-term commitments to accessibility and sustainability, and its new reservation system. As it moves forward with these important projects, VIA Rail will also prudently manage the relaunch of its operations and implement operational savings.

Funding appropriated to VIA Rail through Budgets 2021, 2022, and 2023 will ensure the transformation underway at VIA Rail is not derailed by the difficult operating and financial environments in place since 2020.

### 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; and
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: Heritage Fleet Replacement, Corridor Fleet Renewal and the support of the Government's High Frequency Rail project Procurement and Co-Development phases.

These 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.

#### 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 mandate and regular operations as well as its key modernization activities.

The Greater Toronto Area (where Metrolinx operates) is VIA Rail's most important market in terms of ridership and revenue. Metrolinx continues to seek to transform Union Station into a state-of-the-art commuter rail hub. With negotiations ongoing, this means that VIA Rail could still face difficulty in accessing or increasing frequencies in Toronto due to the pressure exerted by the Metrolinx 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.

#### Heritage Fleet Replacement

VIA Rail's Heritage Fleet is made up of more than 250 ageing cars and locomotives that are at or over 68 years of age and for which only a limited quantity is being refurbished through the Heritage Fleet Modernization Program. Due to

the condition and age of the fleet, safety measures were temporarily put in place in accordance with the ministerial order (MO 22-06) to mitigate potential safety concerns.

So that VIA Rail can conduct maintenance on its trains outside the Corridor and maintain levels of service across its network, Budget 2023 provided for \$327 million.

#### **Maintenance Deficit of VIA Rail's Facilities**

The 2022 Federal Budget provided for \$212 million to VIA Rail so that it may maintain and upgrade stations and maintenance centres in the Windsor to Québec City corridor. An additional \$69 million was also awarded through an off-cycle decision later that same year so that VIA Rail may maintain and upgrade stations and maintenance centres which support the Long-Distance, Regional and Remote services.

#### **High Frequency Rail (HFR)**

The Government of Canada provided for \$491 million to VIA Rail in the 2021 Federal Budget. As directed, with this funding, VIA Rail has launched targeted investment projects to improve current and future fluidity in the greater area of Montréal.

In 2022, VIA Rail Canada Inc., authorized by Order in Council P.C. 2022-0261 (March 24, 2022) and directed by Order in Council P.C. 2022-0259 (March 24, 2022), procured the incorporation of VIA HFR – VIA TGF Inc. This subsidiary corporation will be deemed to be a parent Crown corporation for all provisions of Part X of the Financial Administration Act that apply only to parent Crown corporations, with certain exceptions for which VIA Rail will remain responsible as the parent Crown corporation, pursuant to Order in Council P.C. 2022-0260 (March 24, 2022).

In the short term, VIA Rail will continue to provide all necessary support, expertise and co-operation to the Government and VIA HFR-VIA TGF Inc. in support of the HFR project.

#### **Québec-Windsor Corridor Fleet Renewal**

In the Corridor, the first trainset has arrived and has nearly completed testing. The second trainset was delivered in the third quarter of 2022 and the third trainset arrived in the first quarter of 2023. The new trainsets will begin commercial operations in 2023 as the delivery of additional trainsets continues to take place.

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, funded by appropriations from Budget 2018 as well as those from Budget 2022.

#### **Enhance Passenger Rail Services in South Western Ontario (SWO)**

VIA Rail and Transport Canada are continuing to work together to explore possible delivery solutions. In addition to the possible service changes, funds will be invested at London or various other stations in SWO as provided for in Budget 2022.

#### **Accessibility and Sustainability Commitments**

VIA Rail published its 2021-2025 sustainability plan as well as a 2022-2025 accessibility plan. These multi-year plans are yet another way that VIA Rail is modernizing itself and changing the way Canadians live and travel and hence creating a more accessible and sustainable future for all. The accessibility plan charts the course for a more accessible and inclusive experience for employees at work and for passengers along their journey. Between 2023 and 2025, planned improvements include accessible communication, station accessibility and the delivery of new Corridor trains.

### **Financial Management**

#### **Operational Efficiency Initiatives**

VIA Rail will enable itself to achieve additional revenues and/or important operational efficiencies to reduce its operating deficit for future years and reach its cost reduction targets for years 2024-25 and beyond as announced in the 2023 Budget.

#### **Operational Pressures and Extending Funding**

VIA Rail prudently managed and extended its COVID-19 relief funding (\$187.5 million), drawing on \$90.4 million in 2020-2021 and \$67.5 million in 2021-2022. The remaining \$29.6 million was returned to the Government.

While prudently providing needed transportation services to Canadians, VIA Rail is faced with unprecedented cost increases which will not be fully offset by revenue generation or productivity measures. As travel demand progressively returns to pre-pandemic levels, capacity remains reduced and the challenging operating environment continues to put

pressure on operations. To maintain levels of service across its network, VIA Rail will use a portion of the funding provided for in Budget 2023.

## **Conclusion**

Despite the exceptional circumstances that impeded VIA Rail from repeating its record ridership from 2019, the declining severity of the COVID-19 pandemic and the recovery of travel demand, coupled with a strong modernization plan for VIA Rail, provide reason for a positive outlook.

By prudently managing the funds requested as well as those appropriated to it, VIA Rail will continue with its strategic plan and major projects which aim to renew its Corridor and Heritage fleet, its reservation system and its facilities, as well as support the Government's High Frequency Rail project and make long-term commitments to accessibility and sustainability.

# 1. OVERVIEW

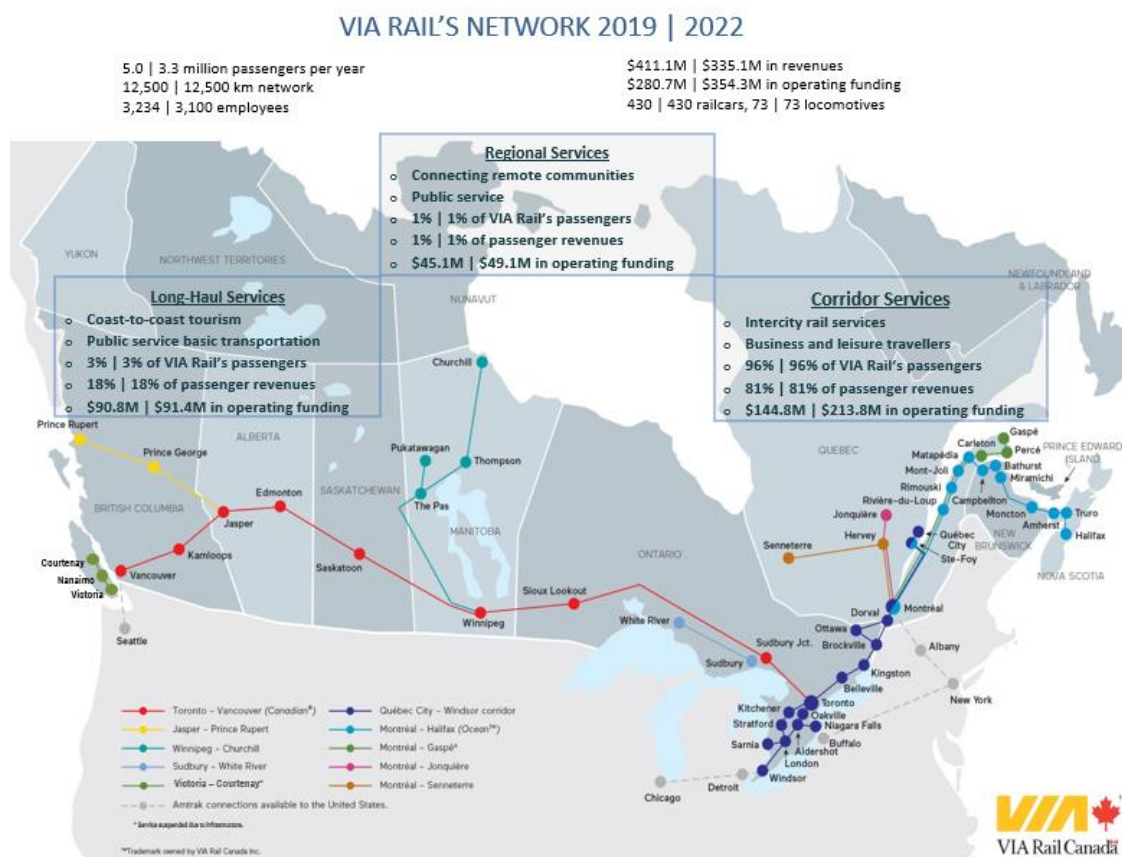
## 1.1. Mandate and Public Policy Role

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 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 workstreams. The underpinning of these workstreams 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 7,800 miles (or 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 recorded between 2014 and 2019. In 2022, VIA Rail carried 3.3 million passengers, with 5.4 million train miles and 749 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, however the economic environment is applying upward pressures on VIA Rail's operating expenses. The Corporation continues to pursue commercial strategies to increase, in the long-run, its ridership, the relevance of its services, and the growth of its revenues.

#### **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 sub-sections 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, Samia, 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.

###### **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, including those in remote and Indigenous communities. These services offer some seasonal peak volume, whether during cottage season in Québec 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

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### 2.1. External Environment

Over the last three years VIA Rail has navigated an unprecedented disruption in its operating environment caused by the COVID-19 pandemic. It managed the disruption through the implementation of a service approach which tightly monitors demand and adjusts capacity to maintain the proper balance between safety, service levels and financial performance. Given the ongoing presence of the COVID-19 virus, VIA Rail continues to monitor the guidance issued by health authority's as well as global best practices to evaluate the timing and necessity of any future changes in service levels and seating capacity as it did throughout the pandemic.

In the Corridor, train services are up to approximately 80% of their 2019 level. The Crown Corporation will have to balance service levels with its operating constraints throughout 2023 and 2024 as it manages the challenges associated with running its ageing HEP cars, retiring its LRC cars and receiving and introducing the new corridor fleet.

Long-Distance and Regional train services are operating as they did prior to the COVID-19 pandemic, except the *Canadian*. Due to operating constraints, the *Canadian* will only have two full frequencies in 2023.

Primary determinants of travel demand – gross domestic product (GDP), population growth, and tourism – were not spared from the negative effects of the COVID-19 pandemic. In 2020, GDP contracted as well as tourism. When comparing the most recent five-year period with the last five-period ending before the COVID-19 pandemic, all the indicators performed poorly versus the reference period – this despite moving in a positive direction in 2021 and making strong gains in 2022.

Between 2017 and 2022, Canada's real GDP grew 1.7% per year for a total growth of 8.8%. Over the same period, Canada's population grew by 1.3% per year for a total growth of 6.5%. The period also gave way to a 28.9% rate of decline of Canadian tourism GDP (nominal) and a 42.9% decrease in foreign tourism due to the travel limitations imposed by the COVID-19 pandemic. However, tourism has demonstrated a strong recovery in 2022. From 2021 to 2022 Canadian tourism GDP (nominal) grew 38.7% and foreign tourism rose to about five and half times its level in 2021.

Inflation began to climb in the later stages of the pandemic. Canada's CPI reached 4.8% for the 12 months ending in December 2021 and 7.7% for the 12 months ending in May 2022. Between 2017 and 2022 it grew at a rate of 3.3% per year for a total growth of 17.5%. The price for energy products, commodities, food supplies and services such as rail infrastructure maintenance and construction have been significantly impacted – often to an extent larger than indicated by the general CPI rate. Also, the COVID-19 pandemic has strained supply chains and labour markets the world over.

While tourism temporarily contracted and continues its recovery, the general long-term trend associated with the primary determinants of travel demand remains positive. This implies that over time the volume of travel and the need for transportation services will continue to rise. Congestion is returning to roadways and airports where it will once again become top-of-mind for travelers. Furthermore, Canada continues to pursue increasing levels of environmental awareness, sustainability and accessibility while facing rising energy prices and upward movement in 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 from seizing the opportunity associated with these circumstances. To capitalize on this opportunity VIA Rail must move ahead with its commitments of securing and improving access to third-party infrastructure, modernizing its rolling-stock, supporting the Government's High Frequency Rail procurement process and delivering sustainable and accessible services.

#### 2.1.1. 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 to access Toronto's Union Station and the tracks and platforms owned by InfraMTL to access Montreal Central Station. Those infrastructures are necessary for VIA Rail to deliver efficient intercity passenger rail services on behalf of the Government of Canada.

The Crown Corporation operates on a network of which 83% is owned by the Canadian National (CN) alone and 97% is owned by all third parties combined. The result is that every VIA Rail train must operate over third-party infrastructure, mostly maintained for freight rail services, 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). Furthermore, VIA Rail is dependent upon the host railways to achieve its OTP results, which have been declining for several years and are affecting its ability to fulfill its mandate and offer an attractive service for customers.



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 2023. With the exception of the Sudbury-White River service, all of VIA Rail's Corridor, 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, and is looking to transform Toronto's Union Station into a state-of-the-art commuter rail hub. 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-dollar, 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 into downtown Toronto due to the pressure exerted by Metrolinx's expansion plans.

VIA Rail and Metrolinx are continuing to negotiate with the goal of reaching a new consolidated rail service and track access agreement in 2023. However, VIA Rail could face difficulty accessing or increasing frequencies given that Metrolinx is seeking to significantly increase its offering relative to current operations.

### 2.1.2. High Frequency Rail in the Corridor

Due to the distances between the three large cities within the Corridor (Toronto, Ottawa, Montréal), HFR's main competitor is the automobile, which typically makes up 90% of the total travel market. Evidence from popular international corridors suggests that passenger rail can significantly improve on its share of the total trip market. It can do so by offering better service such as more departures, better connections and shorter travel times thanks to its 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 the Government's proposed HFR intercity rail project.

The following table describes VIA Rail's current competitiveness and the potential competitiveness of the Government's planned HFR project vis-à-vis the automobile in the Corridor.

	Automobile	VIA Rail Current	High Frequency Rail Proposal
<b>Convenience</b>	Always available for departure	Very limited frequencies	Significantly increased frequencies
<b>Reliability</b>	Subject to road congestion	Subject to freight priority & congestion	Mostly dedicated passenger tracks
<b>Journey Time</b>	Increasing	Increasing	Reduced
<b>Connectivity</b>	Maximum	Limited by suboptimal timetable and reliability	Optimized
<b>Price</b>	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 the 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.

### **2.1.3. The Long-Distance Services**

#### **The *Canadian***

The *Canadian*, VIA Rail's flagship Long-Distance train, has experienced significant challenges as a result of unsustainable 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 Prestige Class, VIA Rail has had to modify the schedule, adding over ten hours, in an attempt to mitigate OTP issues. As well and not withstanding the effects of the COVID-19 pandemic, as a result of CN's work programs and the lengthened schedule, VIA Rail has been limited to operating a maximum of two end-to-end journeys, which, coupled with three significant schedule changes in 2019, 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, the last of 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-season 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 and accessible bedrooms options to assemble a fifth train consist. The equipment utilization pressures are such that VIA Rail cannot plan to reinstate the full third frequency within the corporate plan period, nor can it plan to operate the seasonal, temporary and partial third frequency on the *Canadian* between Edmonton and Vancouver for 2023.

Given the need for a replacement fleet, there is an opportunity to review travel time, limited frequency, and the impacting delays. The result could mean better service for intercity passengers and a better ability to ensure tourists enjoy key sites at the indicated time and for the indicated duration while replacing the existing equipment which is falling behind customer expectations.

#### **The *Ocean***

Over the past decade, the rail infrastructure has degraded and in 2014 the *Ocean* service was threatened when 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 *Ocean* was threatened again in 2020 when Halterm terminated VIA Rail's contract for access to the rail loop in Halifax and VIA Rail was forced to develop an alternative operating solution to turn the train. Furthermore, since the early 2000's, 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.

### **2.1.4. Regional Services**

Regional services provide essential transportation to communities where alternative and affordable transportation is limited or unavailable. 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) - provided 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. For example, despite the COVID-19 pandemic, ridership on the Winnipeg – Churchill service remained above 75% of its 2019 level in 2020 and 2021, and exceed its 2019 level in 2022.

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 ridership and 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. 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 Québec in 2015. Later, the Government of Québec announced planned infrastructure improvements to allow for the eventual return of passenger service, which VIA Rail expects could resume sometime during the term of this Corporate Plan. 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 before continuing onwards to their respective destinations.

#### **2.1.5. 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 offered an additional year for high-risk crossings (November 28, 2022) and an additional three years for those that are not (November 28, 2024).

While VIA Rail is already compliant on its own infrastructure, this extension will help avoid a possible disruption to VIA Rail's schedules and allow an equitable and transparent scope of work and cost-sharing agreement to be reached with CN.

#### **2.1.6. 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 most of the rails that it uses, and that its trains do not have priority to 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 frequencies and improved travel times despite increased costs.

The next special examination is expected to take place in 2024, following which the OAG will issue a new set of findings.

#### **2.1.7. 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 (employee training, change management services and general training costs for the New Fleet and Everest, among others) must be treated as operating expenses.

### **2.2. Internal Environment**

#### **2.2.1. Maintenance deficit of VIA Rail Rolling Stock & Facilities**

##### **Rolling Stock**

The primary cars used outside the Corridor (HEP cars) are 68 years old or older, some are subject to unexpected conditions and all are aged well beyond the industry norm of 30 to 40 years. As a result of their current ageing condition, measures were temporarily put in place in accordance with the ministerial order (MO 22-06) to mitigate potential safety concerns. The reinforcement of these conditions along with other potential upgrades affords the cars some additional

years of life. To fund the reinforcement work, Budget 2023 provided for additional funding for VIA Rail to undertake this work.

A new fleet is urgently 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 is launching a reliability program which has been designed to complement the scope of the Heritage Fleet Modernization program. The investments therein will improve the reliability of the Heritage Fleet during the transition time towards a new fleet.

### Facilities

VIA Rail was created in 1977 and most of the stations transferred to it at that time already pre-dated the Crown Corporation by many years. 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 and the off-cycle funding awarded in 2022, VIA Rail will have funds available so that it does not have to focus the entirety of its spending for facilities on emergency, reactive, short-term repairs. Capital funding from these two envelopes 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 and its arrival is timely to the upkeep and improvement of the Crown Corporation's facilities which face an ageing condition that, without funding, would impede VIA Rail's progress towards its five major strategic objectives.

#### 2.2.2. Retention of Key Critical skills

Employee contribution is crucial to VIA Rail's continued success in a highly competitive travel and tourism sector. VIA Rail recognises that the ability to recruit and retain candidates with the right skillset is paramount for the Crown Corporation's long-term success and viability. The design and implementation of competitive talent development, succession, employee compensation, incentives, and benefits programs are important elements to maintain and increase employee contribution and engagement.

VIA Rail's overall engagement score for 2021 dropped from the level in 2020. The toll of the COVID-19 pandemic is the primary reason behind this decline, though the score remains an improvement over that of 2019. While planning its next survey in 2023, the Crown Corporation continues to remind employees to care of their psychological and physical well-being and remains conscious of the ongoing effort and adaption required by the current operating environment.

#### 2.2.3. Labour Force

As of December 31, 2022, VIA Rail had 3,100 active employees. Of the active employees, 2,250 members belong to one of two unions.

- TCRC is the union that represents locomotive engineers. The collective agreement expired in 2022 and is under negotiation.
- Unifor represents a broad class of workers totaling more than 1,600 VIA Rail employees across Canada. The collective agreement expires in December 2024.

VIA Rail is in an environment where it must balance cost containment efforts with reasonable and competitive compensation to attract and retain skilled employees.

### Various Recognitions

University of Victoria's Gustavson School of Business 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).

VIA Rail is also proud to have been ranked first in two categories among transportation companies in the 2022 Canadian Reputation study published by Leger: as an employer of choice and as the most trusted carrier. The study also reveals that VIA Rail is the carrier that Canadians are most proud of, particularly because of its products and services, its Canadian origins, and its excellence in the field.

The Crown Corporation is proud to have been recognized as one of Canada's Best Employers for 2023 by the renowned business magazine, Forbes. VIA Rail ranked 115<sup>th</sup> out of the 300 best employers in Canada for 2023. Amongst companies within the Transportation and Logistics industry, VIA Rail placed third behind only Purolator and

FedEx Canada. This recognition highlights the positive work environment, potential for growth and work-life balance offered to its employees.

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

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#### 3.1. Access to Third Party Infrastructure

To deliver intercity passenger rail services on behalf of the Government of Canada, VIA Rail requires access to infrastructure owned by third parties, mostly host railways providing freight rail services. 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. Access agreements will be required for all the infrastructures to support VIA Rail's existing operations.

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

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: Heritage Fleet Replacement, Corridor Fleet Renewal and the support of High Frequency Rail.

- CN Train Services Agreement (CN TSA)
- Metrolinx Train Services Agreement (Metrolinx TSA) providing access to Metrolinx's GTA network
- Metrolinx Rail Services Agreement (Metrolinx RSA) providing access to the Toronto Union Station Rail Corridor

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 remain in discussions with respect to a new consolidated rail service and track access agreement. 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 Greater Toronto Area where Metrolinx operates is VIA Rail's most important market in terms of ridership and revenue. Metrolinx is seeking to turn Toronto's Union Station into a state-of-the-art commuter rail hub which means that VIA Rail have difficulty accessing or increasing frequencies.

#### 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.

The HEP cars are 68 years of age or older, some are affected by unexpected conditions and all are aged well beyond the industry norm of 30 to 40 years. VIA Rail received an additional \$327 million through Budget 2023, so it may conduct maintenance on its trains outside the Corridor and maintain levels of service across its network. A reliability program will be launched to address the ageing cars and locomotives, including those not captured in the Heritage Modernization Program, and improve their reliability for the remainder of their service lives.

VIA Rail will initiate pre-procurement activities for a replacement fleet as part of its investments for the Long-Distance and Regional and Remote services (LDRR). Pre-procurement activities will include preparation of a business case,



multiple RFIs and early development of Technical Specs, Commercial/Legal terms and Outreach to protect long lead times.

### **3.3. Maintenance Deficit of VIA Rail's Facilities**

For VIA Rail to make the most of investment in its equipment and its access agreements to third-party infrastructures it must have facilities, such as stations and maintenance centers, 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 Québec City-Windsor Corridor. An additional \$69 million was also awarded through an off-cycle decision later that same year so that VIA Rail may maintain and upgrade stations and maintenance centres which support the Long-Distance, Regional and Remote services.

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.

### **3.4. High Frequency Rail**

In 2022, VIA Rail Canada Inc., authorized by Order in Council P.C. 2022-0261 (March 24, 2022) and directed by Order in Council P.C. 2022-0259 (March 24, 2022), procured the incorporation of VIA HFR – VIA TGF Inc. VIA HFR was deemed to be a parent Crown corporation for all provisions of Part X of the Financial Administration Act that apply only to parent Crown corporations, except for certain sections for which VIA Rail remains responsible as the parent Crown corporation, pursuant to Order in Council P.C. 2022-0260 (March 24, 2022).

In the short term, VIA Rail will continue providing necessary support as well as expertise and co-operation to the Government and VIA HFR-VIA TGF Inc. in support of the HFR project.

VIA Rail is also continuing with the preparation and implementing of targeted investment projects in Montréal that will help reduce bottlenecks and improve the fluidity and connectivity of VIA Rail's existing service network and allow the Government of Canada to take an important step towards the HFR proposal.

### **3.5. Operational Efficiency Initiatives**

VIA Rail expects that efficiencies can be implemented by reviewing processes, and leveraging new technologies and regulatory changes.

VIA Rail launched a company-wide review to identify opportunities to streamline operations. Thanks in part to this review, VIA Rail will be able to achieve additional revenues and/or important operational efficiencies to reduce its operating deficit for future years and reach its cost reduction targets for years 2024-25 and beyond as announced in the 2023 Budget.

### **3.6. Other Strategic and Ancillary Activities**

#### **3.6.1. Corridor Fleet Renewal**

VIA Rail received trainset number one in the third quarter 2021, followed by trainset number two in the third quarter of 2022 and trainset number three in the first quarter of 2023. It also kicked off passenger-rail service with trainset number two through a soft-launch in the fourth quarter of 2022. Qualification testing, winter testing and regulatory inspections are all complete or nearing completion. Commercial operations started in 2023 and the remaining trainsets will continue to be received and progressively placed into operations over the next few years. Once in service, millions of VIA Rail passengers who travel VIA Rail's busiest route will 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, funded by appropriations from Budget 2018 as well as those from Budget 2022.

#### **3.6.2. Enhance Passenger Rail Services in Southwestern Ontario**

With the goal of enhancing passenger rail services in Southwestern 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 for in Budget 2022. These investments will support existing operations and benefit any potential future enhancements to passenger rail service in Southwestern Ontario.

### **3.6.3. 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 further examples of how VIA Rail is transforming itself and changing the way Canadians live and travel, and hence creating a more accessible and sustainable future for all.

The Crown Corporation's 2022-2025 accessibility plan will enable its ambition to be Canada's most accessible national and inter-city mode of transportation, 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. Between 2023 and 2025, planned improvements include accessible communication, station accessibility and the delivery of new Corridor trains. Stations will receive updated curb cuts, automatic doors, Braille station maps, autonomous wayfinding and quiet areas. The 32 new Corridor trainsets will include wheelchair lifts, Braille seating numbers, Braille embossed high-contrast signage, surface transitions, automatic doors, more grab bars and mobility-aid seating options, accessible washrooms and screen displays indicating travel information.

VIA Rail will begin reporting 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. VIA Rail recognizes that this is the first report which will expand over time as it deepens its understanding of physical climate and transition risks.

VIA Rail remains committed to sustainability and its membership in the United Nations Global Compact. The Crown Corporation has upgraded its GHG reduction target to support 2050 net-zero emissions ambitions and is striving to improve fuel and energy efficiency across operations. Furthermore, As part of its sustainability plan, amongst other activities, VIA Rail follows the Global Reporting Initiative (GRI), seeks to offer a zero-waste experience on the new Québec City-Windsor fleet, increase its rate of recycling and introduce organic waste collection.

### **3.6.4. Delivery of Long-Distance, Regional and Remote Services**

As the Heritage Fleet replacement is being considered, VIA Rail will also conduct Strategic Service Review of the Long-Distance, Regional and Remote services as requested by Transport Canada. The purpose will be to identify opportunities to improve the delivery of services, the connections between communities and how potential service changes could impact the requirements of the replacement fleet.

Funding was granted to VIA Rail to further its preparation of the Heritage Fleet replacement and carry-out the analysis. 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 procurement activities such as final components of the car designs as well as the quantities of each car type.

### **3.6.5. Enhance Customer Satisfaction and Booking Experience**

The modernization of VIA Rail's reservation system is will allow to update the nearly 30 year old system and allow for increased passenger bookings. The new reservation system will offer an easy and intuitive booking process through a wide range of new functionalities including autonomous seat selection and a fully user-friendly experience on all devices, including cellphones.

Following the significant weather events encountered in December 2022 which caused several operational difficulties that negatively impacted customers, VIA Rail called upon experts to complete a review of its performance in relation to those events. The Crown Corporation is working towards the recommendations and implementing measures that will minimize the impact on customers should similar events occur in the future.

## 4. FINANCIAL OVERVIEW

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Financially, the company has stretched itself in the past few years to grow revenues, contain the operating deficit and the reliance on government funding. VIA Rail is also implementing efficiency measures to allow itself to achieve the 3% reduction guidelines announced in Budget 2023.

Since the COVID-19 pandemic, VIA Rail's financial performance was significantly affected, impacting both top-line and bottom-line results. The numbers presented below therefore demonstrate significant rates of change when compared to 2019 (Pre-Pandemic results).

Numerous assumptions had to be made to estimate the financial results of the current planning period. Operations could return to pre-pandemic levels in 2025 but, there remains an important risk that this assumption may not materialize, especially considering reduced availability of equipment and the increased financial pressure.

The following section (4.1) presents the financial plan for year 2023-2027.

### 4.1. Overview of the 2023-2027 Financial Plan

#### Revenues

Total variable revenues are forecast to grow by 41% over the Plan period (from \$317.0 million in 2022 to \$446.5 million in 2027). This assumption is made as VIA Rail expects that passengers will be back on its trains following the end of the pandemic by end of 2023.

Semi-variable and fixed revenues are forecast to grow by 12% (from \$18.1 million in 2022 to \$20.2 million in 2027) 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.

#### 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 considering 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 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 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 exceed 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.

Variable expenses are expected to increase by 37% over the Plan period (from \$343.1 million in 2022 to \$470.5 million in 2027). This increase is mostly due to the resumption of normal services as operations increase.

Semi-variable and fixed expenses are forecast to grow 29% (from \$336.2 million to \$432.2 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.

#### **4.1.1. Corridor**

##### **Variable Revenues**

The Corridor is forecast to have variable revenue growth of 45% (from \$257.2 million to \$371.9 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 34% (from \$229.0 million to \$306.0 million) over the Plan period.

#### **4.1.2. The Canadian**

##### **Variable Revenues**

The *Canadian* is forecast to have variable revenue growth of 24% (from \$46.8 million to \$58.0 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 43% (from \$59.4 million to \$85.2 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 29% (from \$9.6 million to \$12.4 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 47% (from \$25.1 million to \$36.8 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 24% (from \$3.4 million to \$4.2 million) over the Plan period. The increase in revenue is mainly achieved 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 43% (from \$29.7 million to \$42.5 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 Montréal, Toronto, Winnipeg and Vancouver. VIA Rail is also a tenant in 11 stations in the Corridor and 24 stations outside of the Corridor.

The five-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 five-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.

### **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 upgrade 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 estimated that changes in accounting standards will put upward pressure on VIA Rail's operating costs. To manage this impact, VIA Rail will need to make transfers between its Operating and Capital allocations.

### **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 began passenger service with a soft launch in 2022, alongside the continuing arrival of new trains. 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. The memorandum, in force between November 2020 and March 2021, can be renewed for up to two years. VIA Rail will dispose of surplus cars, the total value of which is expected to be non-material and keep the proceeds of the sale.

### **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 and HFR**

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 and Off-Cycle Requests**

Budget 2022 provided for funding to support investments in facilities and rolling stock. The purpose of those investment is to further support the overall success of the high frequency rail project and the Corridor Fleet Replacement, improve rail capacity for services in the Corridor, ensure the serviceable life of the Long-distance, Regional and Remote rolling stock and address accumulated maintenance deficits and necessary work at stations and maintenance centres.

### **2023 Budget**

The Federal Budget 2023 provided funding to VIA Rail Canada to enable investments in its rolling stock. The funding will ensure the serviceable life of the legacy rolling stock and address their structural conditions.

## **4.2. Financial Operating Performance – 2021 to 2022**

### **4.2.1 Corridor**

#### **Variable Revenues**

In 2022, 3.2 million passengers travelled in the Corridor, representing 96% of all VIA Rail's traffic and accounted for 81% of passenger revenues. Following an increase in ridership from 1.4 million in 2021 to 3.2 million in 2022, revenues increased by \$148.2 million, from \$109.0 million in 2021 to \$257.2 million in 2022 (+136%).

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 revenues 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 2022, the Corridor's variable expenses have increased by \$75.3 million, from \$153.7 million in 2021 to \$229.0 million in 2022 (+49%). The increase is mostly due to the increase in service level, though it was mitigated by cost containment.

#### **Deficit and Efficiency**

The Corridor's variable contribution increased by \$72.9 million in 2022, from a deficit of \$44.7 million in 2021 to a contribution of \$28.2 million in 2022. The variable operating ratio (variable revenue/variable expenses) has improved to 112% in 2022, from 71% in 2021.

### **4.2.2 The *Canadian***

#### **Variable Revenues**

In 2022, the *Canadian's* variable revenues have increased by \$41.4 million, from \$5.4 million in 2021 to \$46.8 million in 2022 (+767%), primarily due to service resumption.

#### **Variable Expenses**

The *Canadian's* variable expenses have increased by \$32.3 million, from \$27.1 million in 2021 to \$59.4 million in 2022 (+119%), due to service resumption.

### Deficit and Efficiency

The *Canadian's* variable deficit has decreased by \$9.1 million from \$21.7 million in 2021 to \$12.6 million in 2022. The variable operating ratio (variable revenue/variable expenses) has improved to 79% in 2022, from 20% in 2021.

#### 4.2.3 The *Ocean*

##### Variable Revenues

In 2022, the *Ocean's* variable revenues have increased by \$7.9 million, from \$1.7 million in 2021 to \$9.6 million in 2022 (+465%) primarily due to service resumption.

##### Variable Expenses

In 2022, the *Ocean's* variable expenses have increased by \$17.9 million, from \$7.2 million in 2021 to \$25.1 million in 2022 (249%), due to service resumption.

##### Contribution and Efficiency

The *Ocean's* variable deficit has increased by \$10.0 million from \$5.5 million in 2021 to \$15.5 million in 2022. The variable operating ratio (variable revenue/variable expenses) has improved to 38% in 2022, from 24% in 2021.

#### 4.2.4 Regional Services

##### Variable Revenues

In 2022, the Regional services' variable revenues have increased by \$1.7 million, from \$1.7 million in 2021 to \$3.4 million in 2022 (+100%) primarily due to service resumption.

##### Variable Expenses

In 2022, the Regional services' variable expenses have increased by \$5.7 million, from \$24.0 million in 2021 to \$29.7 million in 2022 (+24.0%), due to service resumption.

##### Contribution and Efficiency

The Regional services' variable deficit has increased by \$3.9 million from \$22.3 million in 2021 to \$26.2 million in 2022. The variable operating ratio (variable revenue/variable expenses) has improved to 11% in 2022, from 7% in 2021.

### 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 – 2017 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 crossing 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 on going capital and equipment projects. As of December 2021, VIA Rail spent \$316.3 million (97.5%) of this envelop; 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 2022, 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 on going capital projects. As of December 2022, VIA Rail spent \$126.2 million (25.2%) of this envelop; leaving \$373.8 million to be spent in future years.

### **2021 Federal Budget program**

The Federal Budget 2021 provided for \$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 2022, VIA Rail spent \$6.8 million of this envelop; leaving \$483.3 million to be spent in future years.

### **2022 Federal Budget program**

The Federal Budget 2022 provided for \$375.3 million to VIA Rail Canada to enable investments in its facilities and rolling stock. The funding will ensure the serviceable life of its legacy rolling stock and address accumulated maintenance deficits and necessary safety work at stations and maintenance centres. As of December 2022, VIA Rail spent \$17.4 million of this envelope; leaving \$357.9 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 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. The remaining operating funding of \$29.6 million was lapsed and returned to the government.

## **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**

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VIA Rail aligns with the guidance expressed in the Prime Minister's December 2021 Mandate Letter to the Minister of Transport, 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 be 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 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

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### Board of Directors

Like all non-Agent 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, independent 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 reports on VIA Rail's operations to the Canadian federal government.

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.

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 2023 are scheduled February 15-16; March 20-22; May 24-26; August 21-23 and November 20-22.

On May 16<sup>th</sup>, 2023, the Minister of Transport, the Honourable Omar Alghabra announced that M. Mario Peloquin was appointed as President & CEO for a term of five years, effective June 12, 2023.

The Board of Directors reports to the Minister of Transport and consists of the Chairperson, the President and Chief Executive Officer and nine 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 February 28, 2023, as well as details regarding the Directors. Note that requests for the renewal of some Board members' mandates (i.e. mandates ending either in 2022 or 2023) were submitted in 2022 and 2023 to Transport Canada. 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
<b>Françoise Bertrand</b>	Montréal (QC)	April 12, 2017	Oct. 11, 2023	5+1.5 years	Second
<b>Grant Christoff</b>	Vancouver (BC)	March 28, 2019	March 27, 2023	4 years	First
<b>Daniel Gallivan</b>	Halifax (NS)	June 21, 2017	Sept. 29, 2022	3+2 years	Second
<b>Jonathan Goldbloom</b>	Montréal (QC)	June 21, 2017	Feb. 24, 2026	4+4 years	Second
<b>Miranda Keating Erickson</b>	Calgary (AB)	March 28, 2019	March 27, 2023	4 years	First
<b>Jane Mowat</b>	Toronto (ON)	Sept. 29, 2013	Sept. 30, 2021	4+3+1 years	Third
<b>Glenn Rainbird</b>	Belleville (ON)	June 21, 2017	Feb. 24, 2024	4+2 years	Second
<b>Gail Stephens</b>	Victoria (BC)	June 21, 2017	Feb. 24, 2026	4+4 years	Second
<b>Kenneth Tan</b>	Richmond (BC)	June 21, 2017	Sept. 29, 2022	3+2 years	Second
<b>Vianne Timmons</b>	(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

Five committees assist the Board of Directors in oversight: the (i) Human Resources Committee, (ii) Stakeholders Engagement and Communications Committee, (iii) Major Projects / Fleet Modernization Committee, (iv) Audit & Pension Investment Committee and (v) Governance Committee.

**i. The Human Resources Committee:** is responsible of overseeing and monitoring of key strategic Human Resources matters which include 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;
- Daniel Gallivan;
- Jonathan Goldbloom;
- Glen Rainbird,
- Gail Stephens; and
- Vianne Timmons.

**ii. The Stakeholders Engagement and Communications Committee** is responsible of overseeing and monitoring the following:

1. The Corporation's communication and marketing strategies 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;
2. Key Corporate Reports including the Annual Report and other publicly disclosed corporate reports, along with the Corporation's press releases;

3. The oversight and monitoring of the ESG and CSR strategies and shall ensure the implementation thereof and the corresponding policies and action plans;
4. The implementation by the Corporation of Order in Council PC 2022-0259 ( the “Order in Council”) directing the Corporation to: (i) procure the incorporation of a wholly-owned subsidiary, the mandate of which is to develop and implement the HFR Project, (ii) provide all necessary support, expertise and co-operation to the subsidiary to facilitate the subsidiary’s role and fulfillment of its mandate, and: (iii) provide all necessary support, expertise, and co-operation to the Minister of Transport to facilitate the Minister’s role in the development and implementation of the HFR Project; and
5. The risk identification, evaluation and treatment related to the topics listed above.

The members of the Stakeholders Engagement & Committee are as follows:

- Jonathan Goldbloom, Chairperson;
- Grant Christoff;
- Daniel Gallivan;
- Jane Mowat; and
- Vianne Timmons;

**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:
  - a. The acquisition and conditioning of the new fleet of trains for the Québec 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 Montréal 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”);
  - b. 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”);
2. The Corporation’s policies, practices and procedures regarding management of major projects & programs;
3. The monitoring of capital spending; and
4. 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; and
- Kenneth Tan.

**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;
- Glenn Rainbird; and
- Kenneth Tan.

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

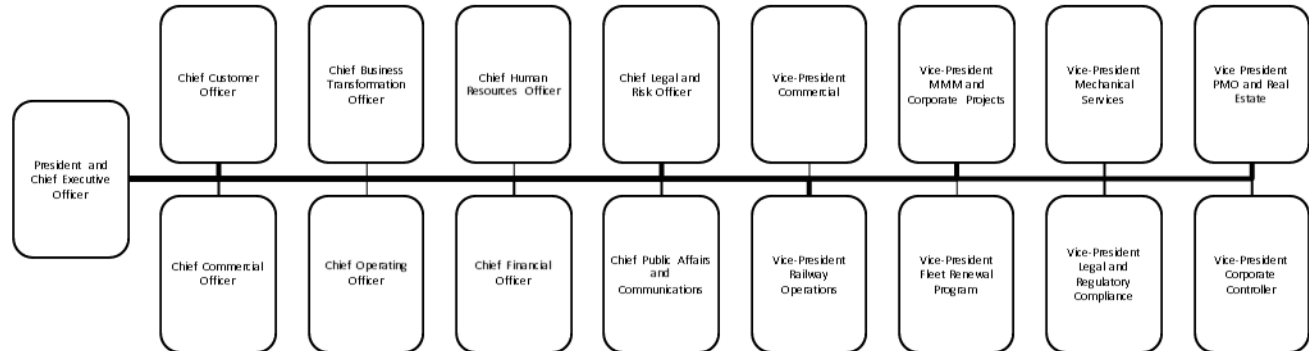
1. The implementation of governance policies and best practices, considering the Corporation's status as a Federal Crown Corporation and the HFR Entity as an agent of the Crown;
2. The effectiveness of the Boards and of their respective committees;
3. Director appointments and re-appointments on the 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
- Jonathan Goldbloom; and
- Gail Stephens.

## 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 <sup>1</sup>		
Cash Compensation <sup>2</sup>	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.  
2023-2027 CORPORATE PLAN  
OPERATING AND CAPITAL BUDGETS

VIA FISCAL YEAR ENDING DECEMBER 31								
(MILLIONS OF DOLLARS)	ACTUAL		PLAN					TOTAL
	2021	2022	2023	2024	2025	2026*	2027	2023-2027
Operating	504.0	689.4	814.4	860.6	871.5	881.4	904.4	4,332.1
Capital	226.4	318.2	574.3	659.1	701.9	381.7	208.7	2,525.7
<b>Total</b>	<b>730.4</b>	<b>1,007.6</b>	<b>1,388.7</b>	<b>1,519.6</b>	<b>1,573.4</b>	<b>1,263.0</b>	<b>1,113.1</b>	<b>6,857.8</b>

ANTICIPATED SHORTFALL OR SURPLUS

VIA FISCAL YEAR ENDING DECEMBER 31								
(MILLIONS OF DOLLARS)	ACTUAL		PLAN					TOTAL
	2021	2022	2023	2024	2025	2026*	2027	2023-2027
Available funding (Government Appropriation)	596.9	1,048.8	1,328.1	987.8	432.4	260.4	171.8	3,180.4
Anticipated External Revenues	133.5	335.1	410.5	430.5	448.1	457.7	466.7	2,213.6
<b>Total Revenues</b>	<b>730.3</b>	<b>1,383.9</b>	<b>1,738.6</b>	<b>1,418.3</b>	<b>880.5</b>	<b>718.1</b>	<b>638.5</b>	<b>5,394.0</b>
Anticipated Expenses (Operating and Capital)	730.4	1,007.6	1,388.7	1,519.6	1,573.4	1,263.0	1,113.1	6,857.8
Anticipated Surplus (Shortfall)	0.0	376.3	349.9	(101.3)	(692.9)	(544.9)	(474.7)	(1,463.8)
Proposed reprofiling of funding	0.0	(346.7)	62.3	284.4	0.0	0.0	0.0	346.7
Anticipated Surplus (Shortfall) after reprofiling <sup>(1)</sup>	0.0	29.6	412.0	183.0	(692.9)	(544.9)	(474.7)	(1,117.4)
Cash on Hand	4.4	9.7	10.0	10.0	10.0	10.0	10.0	50.0

VIA RAIL CANADA INC.  
2023-2027 CORPORATE PLAN  
OPERATING FUNDING STATEMENT

VIA FISCAL YEAR ENDING DECEMBER 31								
(MILLIONS OF DOLLARS)	ACTUAL		PLAN					TOTAL
	2021	2022	2023	2024	2025	2026*	2027	2023-2027
<b>REVENUES</b>								
Total Revenues	133.5	335.1	410.5	430.5	448.1	457.7	466.7	2,213.6
<b>EXPENSES</b>								
Total Expenses	481.9	679.4	812.9	859.0	869.9	879.7	902.7	4,324.2
Operating Deficit Before Government Subsidy and Pension Costs	348.5	344.3	402.4	428.5	421.7	422.0	436.0	2,110.6
Government Subsidy	333.7	335.6	353.2	322.6	180.8	146.8	146.8	1,150.2
Transfer of Capital Funding to Operations	0.0	30.0	12.4	0.0	0.0	(42.4)	0.0	0.0
Operating Funding Surplus / (Deficit) before Pension Costs	(14.8)	21.3	(36.8)	(105.9)	(240.9)	(317.6)	(289.2)	(960.4)
<b>PENSION COSTS</b>								
Total Pension Costs	22.0	10.0	1.5	1.5	1.6	1.6	1.7	8.0
less: Supplementary Government Pension Funding	36.8	30.5	26.2	23.5	5.7	0.0	0.0	55.4
Pension Costs Funding Surplus / (Deficit)	14.8	20.5	24.7	22.0	4.1	(1.6)	(1.7)	47.4
Proposed Reprofiling of Operating Funding	0.0	(12.1)	12.1	0.0	0.0	0.0	0.0	12.1
Operating Surplus / (Deficit) after Government Funding <sup>(1)</sup>	0.0	29.6	0.0	(83.9)	(236.8)	(319.2)	(290.9)	(930.8)

VIA RAIL CANADA INC.  
2023-2027 CORPORATE PLAN  
SUMMARY - TOTAL CAPITAL EXPENDITURES

VIA FISCAL YEAR ENDING DECEMBER 31								
(MILLIONS OF DOLLARS)	ACTUAL		PLAN					TOTAL
	2021	2022	2023	2024	2025	2026*	2027	2023-2027
<b>Major Capital Programs</b>								
Equipment Projects	158.7	210.1	369.8	436.3	322.5	86.2	102.6	1,317.4
Infrastructure Projects	6.8	32.8	68.2	92.9	243.9	189.1	50.0	644.0
<b>Sub-Total Major Programs</b>	<b>165.5</b>	<b>242.9</b>	<b>438.0</b>	<b>529.1</b>	<b>566.4</b>	<b>275.3</b>	<b>152.6</b>	<b>1,961.4</b>
<b>Other Capital Programs</b>	<b>60.8</b>	<b>75.3</b>	<b>136.3</b>	<b>130.0</b>	<b>135.5</b>	<b>106.4</b>	<b>56.1</b>	<b>564.3</b>
<b>Total Capital Expenditures</b>	<b>226.4</b>	<b>318.2</b>	<b>574.3</b>	<b>659.1</b>	<b>701.9</b>	<b>381.7</b>	<b>208.7</b>	<b>2,525.7</b>
Gov't Capital Funding Required	226.4	318.2	574.3	659.1	701.9	381.7	208.7	2,525.7
Total Gov't Capital Funding	226.4	652.8	936.3	641.7	245.8	156.0	25.0	2,004.8
Proposed Reprofiling of Capital Funding	0.0	(334.6)	50.2	284.4	0.0	0.0	0.0	334.6
Funding Shortfall / (Surplus) <sup>(1)</sup>	0.0	0.0	(412.2)	(267.0)	456.1	225.7	183.7	186.3

NOTE 1: Sum may differ due to rounding

VIA RAIL CANADA INC.  
2023-2027 CORPORATE PLAN  
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

VIA FISCAL YEAR ENDING DECEMBER 31							
(MILLIONS OF DOLLARS)	ACTUAL		PLAN				
	2021	2022	2023	2024	2025	2026	2027
Operating Deficit Before Government Subsidy	(370.5)	(354.3)	(403.9)	(430.0)	(423.3)	(423.6)	(437.7)
Item (not requiring) not providing operating funds	(121.0)	(134.9)	(169.1)	(210.9)	(238.2)	(221.3)	(223.3)
Income tax expense	(12.3)	10.5	-	-	-	-	-
Operating loss before funding from the Government of Canada	(503.8)	(478.7)	(573.0)	(640.9)	(661.5)	(644.9)	(661.0)
Operating funding from the Government of Canada	370.5	354.3	403.9	346.1	186.5	104.4	146.8
Amortization of deferred capital funding	107.0	109.2	133.1	176.2	203.9	187.0	188.9
Net income (loss) for the year	(26.3)	(15.2)	(36.0)	(118.6)	(271.1)	(353.5)	(325.3)

VIA RAIL CANADA INC.  
2023-2027 CORPORATE PLAN  
STATEMENT OF CASH FLOWS

VIA FISCAL YEAR ENDING DECEMBER 31							
(MILLIONS OF DOLLARS)	ACTUAL		PLAN				
	2021	2022	2023	2024	2025	2026	2027
<b>Operating activities</b>							
Net loss for the year	(26.3)	(15.2)	(36.0)	(118.6)	(271.1)	(353.5)	(325.3)
Adjustments to determine net cash (used in) providing by operating activities	41.6	23.4	38.3	121.0	274.1	356.8	328.7
Net cash (used in) provided by operating activities	15.3	8.2	2.3	2.4	3.0	3.3	3.4
<b>Investment activities</b>							
Net cash (used in) provided by investing activities	(20.5)	1.3	2.0	0.0	0.0	0.0	0.0
<b>Financing activities</b>							
Net cash (used in) provided by financing activities	(2.6)	(4.2)	(4.0)	(2.4)	(3.0)	(3.3)	(3.4)
<b>Cash and cash equivalents</b>							
(Decrease) increase during the year	(7.8)	5.3	0.3	0.0	0.0	0.0	0.0
Balance, beginning of year	12.2	4.4	9.7	10.0	10.0	10.0	10.0
Balance, end of year	4.4	9.7	10.0	10.0	10.0	10.0	10.0

VIA RAIL CANADA INC.  
2023-2027 CORPORATE PLAN  
STATEMENT OF FINANCIAL POSITION

VIA FISCAL YEAR ENDING DECEMBER 31							
(MILLIONS OF DOLLARS)	ACTUAL		PLAN				
	2021	2022	2023	2024	2025	2026	2027
Cash	4.4	9.7	10.0	10.0	10.0	10.0	10.0
Current assets	110.6	190.4	180.3	181.9	183.5	184.9	186.2
Non-current assets	2,062.4	2,391.2	2,775.1	3,221.1	3,704.4	3,893.7	3,909.1
<b>TOTAL ASSETS</b>	<b>2,177.4</b>	<b>2,591.3</b>	<b>2,965.4</b>	<b>3,413.0</b>	<b>3,897.9</b>	<b>4,088.6</b>	<b>4,105.3</b>
Current liabilities	192.6	280.4	261.9	301.7	596.7	923.5	1,222.2
Other payables	22.2	29.5	40.0	60.0	0.0	0.0	0.0
Deferred income tax	22.6	48.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities (Operating)	86.3	99.9	97.6	95.1	92.1	88.8	85.4
Employee benefit liabilities	41.6	31.2	58.4	84.4	110.4	136.4	163.3
Deferred capital funding	1,658.1	1,867.1	2,308.3	2,791.2	3,289.2	3,483.9	3,503.7
<b>TOTAL LIABILITIES</b>	<b>2,023.4</b>	<b>2,356.1</b>	<b>2,766.1</b>	<b>3,332.4</b>	<b>4,088.4</b>	<b>4,632.6</b>	<b>4,974.6</b>
<b>Share capital</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>	<b>9.3</b>
Balance, beginning of year	(168.2)	144.7	225.9	189.9	71.3	(199.8)	(553.3)
Net loss for the year	(26.3)	(15.2)	(36.0)	(118.6)	(271.1)	(353.5)	(325.3)
Other comprehensive (loss) income	339.2	96.4	0.0	0.0	0.0	0.0	0.0
Balance, ending of year	144.7	225.9	189.9	71.3	(199.8)	(553.3)	(878.6)
<b>SHAREHOLDER'S EQUITY</b>	<b>154.0</b>	<b>235.2</b>	<b>199.2</b>	<b>80.6</b>	<b>(190.5)</b>	<b>(544.0)</b>	<b>(869.3)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S DEFICIENCY</b>	<b>2,177.4</b>	<b>2,591.3</b>	<b>2,965.4</b>	<b>3,413.0</b>	<b>3,897.9</b>	<b>4,088.6</b>	<b>4,105.3</b>

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

VIA RAIL CANADA INC.  
2023-2027 CORPORATE PLAN  
FUNDING REQUIREMENTS AND SOURCES

GOVERNMENT FISCAL YEAR ENDING MARCH 31									
	(MILLIONS OF DOLLARS)		ACTUAL		PLAN				TOTAL
	2021-2022*	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2023-2027	
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	242.1	190.0	243.8	135.5	(42.2)	0.0	0.0	337.1
	<b>Total Operating Funding - Approved</b>	<b>388.8</b>	<b>336.8</b>	<b>390.5</b>	<b>282.3</b>	<b>104.6</b>	<b>146.8</b>	<b>146.8</b>	<b>1,070.9</b>
	Pension Funding Approved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Additional Pension Funding	35.4	28.8	25.3	22.9	0.0	0.0	0.0	48.2
	<b>Total Pension Funding - Approved</b>	<b>35.4</b>	<b>28.8</b>	<b>25.3</b>	<b>22.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>48.2</b>
	Capital Funding Approved	234.3	730.8	1,007.2	519.8	196.9	100.0	0.0	1,823.9
	<b>Total Capital Funding - Approved</b>	<b>234.3</b>	<b>730.8</b>	<b>1,007.2</b>	<b>519.8</b>	<b>196.9</b>	<b>100.0</b>	<b>0.0</b>	<b>1,823.9</b>
	<b>Total Gov't Funding Approved</b>	<b>658.5</b>	<b>1,096.4</b>	<b>1,423.0</b>	<b>825.0</b>	<b>301.5</b>	<b>246.8</b>	<b>146.8</b>	<b>2,943.0</b>
	FUNDING REQUIREMENTS	Operating Funding required	371.1	349.3	412.1	439.4	410.2	415.0	440.3
Pensions Costs Funding required		23.5	4.2	1.5	1.6	1.6	1.7	1.7	8.0
Total Capital Funding required		234.3	336.3	695.5	659.0	626.5	324.1	177.0	2,482.2
<b>Total Via Gov't Funding Required <sup>(1)</sup></b>		<b>628.9</b>	<b>689.8</b>	<b>1,109.2</b>	<b>1,100.0</b>	<b>1,038.3</b>	<b>740.7</b>	<b>619.0</b>	<b>4,607.2</b>
FUNDING DEFICIT	Operating Funding Surplus / (Deficit)	17.7	(12.5)	(21.6)	(157.1)	(305.6)	(268.2)	(293.5)	(1,046.1)
	Pension Costs Funding Surplus / (Deficit)	11.9	24.6	23.8	21.3	(1.6)	(1.7)	(1.7)	40.2
	Capital Funding Surplus / (Deficit)	0.0	394.5	311.7	(139.2)	(429.6)	(224.1)	(177.0)	(658.3)
	<b>Total Funding Surplus/(deficit) <sup>(1)</sup></b>	<b>29.6</b>	<b>406.6</b>	<b>313.9</b>	<b>(275.0)</b>	<b>(736.9)</b>	<b>(494.0)</b>	<b>(472.2)</b>	<b>(1,664.2)</b>
ADDITIONAL FUNDING REQUIRED	Additional Operating Funding	(29.6)	0.0	(14.3)	135.8	307.2	269.9	295.2	993.8
	Additional Capital Funding	0.0	(394.5)	(311.7)	139.2	429.6	224.1	177.0	658.3
	<b>Total Additional Funding Requested</b>	<b>(29.6)</b>	<b>(394.5)</b>	<b>(326.0)</b>	<b>275.0</b>	<b>736.8</b>	<b>494.0</b>	<b>472.2</b>	<b>1,652.1</b>
FUNDING REPROFILING	Proposed Reprofitting of Operating Funding	0.0	(12.1)	12.1	0.0	0.0	0.0	0.0	12.1
	Proposed Reprofitting of Capital Funding	0.0	(394.5)	57.7	336.8	0.0	0.0	0.0	394.5
	<b>Total Capital Funding Reprofitting Requested</b>	<b>0.0</b>	<b>(406.6)</b>	<b>69.8</b>	<b>336.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>406.6</b>

VIA RAIL CANADA INC.  
2023-2027 CORPORATE PLAN  
RECONCILIATION FROM VIA'S FISCAL YEAR TO GOV'T FISCAL YEAR

VIA FISCAL YEAR ENDING DECEMBER 31 & GOVERNMENT FISCAL YEAR ENDING MARCH 31									
	(MILLIONS OF DOLLARS)		ACTUAL		PLAN				TOTAL
	2021	2022	2023	2024	2025	2026	2027	2023-2027	
APPROVED FUNDING	Operating Deficit VIA's fiscal year	333.7	365.6	365.6	322.6	180.8	104.4	146.8	1,120.2
	Adjustment*	55.1	(28.8)	24.9	(40.4)	(76.2)	42.3	0.0	(49.3)
	<b>Operating Deficit Gov't fiscal year</b>	<b>388.8</b>	<b>336.8</b>	<b>390.5</b>	<b>282.3</b>	<b>104.6</b>	<b>146.8</b>	<b>146.8</b>	<b>1,070.9</b>
	Pension Expenses VIA's fiscal year	36.8	30.5	26.2	23.5	5.7	0.0	0.0	55.4
	Adjustment*	(1.4)	(1.7)	(0.9)	(0.6)	(5.7)	0.0	0.0	(7.2)
	<b>Pension Expenses Gov't fiscal year</b>	<b>35.4</b>	<b>28.8</b>	<b>25.3</b>	<b>22.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>48.2</b>
	Capital VIA's fiscal year	226.4	652.8	936.3	641.7	245.8	156.0	25.0	2,004.8
	Adjustment*	7.9	78.0	70.9	(121.9)	(48.9)	(56.0)	(25.0)	(180.9)
	<b>Capital Gov't fiscal year</b>	<b>234.3</b>	<b>730.8</b>	<b>1,007.2</b>	<b>519.8</b>	<b>196.9</b>	<b>100.0</b>	<b>0.0</b>	<b>1,823.9</b>
	<b>Total VIA's Approved Funding</b>	<b>596.9</b>	<b>1,048.8</b>	<b>1,328.1</b>	<b>987.8</b>	<b>432.4</b>	<b>260.4</b>	<b>171.8</b>	<b>3,180.4</b>
Adjustment*	61.6	47.6	95.0	(162.8)	(130.9)	(13.7)	(25.0)	(237.4)	
<b>Total Gov't Approved Funding</b>	<b>658.5</b>	<b>1,096.4</b>	<b>1,423.0</b>	<b>825.0</b>	<b>301.5</b>	<b>246.8</b>	<b>146.8</b>	<b>2,943.0</b>	
FUNDING REQUIREMENTS	Operating Deficit VIA's fiscal year	348.5	344.3	402.4	428.5	421.7	422.0	436.0	2,110.6
	Adjustment*	22.6	4.9	9.7	10.9	(11.5)	(7.1)	4.3	6.4
	<b>Operating Deficit Gov't fiscal year</b>	<b>371.1</b>	<b>349.3</b>	<b>412.1</b>	<b>439.4</b>	<b>410.2</b>	<b>415.0</b>	<b>440.3</b>	<b>2,117.0</b>
	Pension Expenses VIA's fiscal year	22.0	10.0	1.5	1.5	1.6	1.6	1.7	8.0
	Adjustment*	1.4	(5.8)	0.0	0.0	0.0	0.0	0.0	0.1
	<b>Pension Expenses Gov't fiscal year</b>	<b>23.5</b>	<b>4.2</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>	<b>8.0</b>
	Capital VIA's fiscal year	226.4	318.2	574.3	659.1	701.9	381.7	208.7	2,525.7
	Adjustment*	7.9	18.1	121.3	(0.1)	(75.4)	(57.6)	(31.8)	(43.5)
	<b>Capital Gov't fiscal year</b>	<b>234.3</b>	<b>336.3</b>	<b>695.5</b>	<b>659.0</b>	<b>626.5</b>	<b>324.1</b>	<b>177.0</b>	<b>2,482.2</b>
	<b>Total VIA's Funding Required <sup>(1)</sup></b>	<b>596.9</b>	<b>672.5</b>	<b>978.2</b>	<b>1,089.1</b>	<b>1,125.2</b>	<b>805.3</b>	<b>646.4</b>	<b>4,644.3</b>
Adjustment*	32.0	17.3	131.0	10.8	(86.9)	(64.6)	(27.4)	(37.1)	
<b>Total Gov't Funding Required <sup>(1)</sup></b>	<b>628.9</b>	<b>689.8</b>	<b>1,109.2</b>	<b>1,100.0</b>	<b>1,038.3</b>	<b>740.7</b>	<b>619.0</b>	<b>4,607.2</b>	

\* 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

## 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 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.

In 2022, VIA Rail identified thirteen enterprise risks and attributed a risk response to each. Each risk response 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 Crown 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, Execution Capacity and Efficiency; Positioning; Service Offering; Environment, Social and Governance; and Talent Management.

For the risks from the table above that do not appear in the upcoming section, it's important to note that each of them was thoroughly assessed, and they are being managed with appropriate mitigation measures.

### **Operational Safety and Security**

This risk covers all 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.

As demonstrated by the non-exhaustive list of examples above, there are 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.

Examples of applied controls are the utilization of the regulatory framework, continuous monitoring of VIA Rail's requirements to identify improvement opportunities, participation in industry forums and lastly engagement with host railways.

### **Execution Capacity and Efficiency**

This risk considers the need to balance ongoing operations and transformative initiatives to achieve its strategic initiatives.

Examples of applied controls are: the simplification and standardization of project life cycles, while allowing for tailoring of specific product delivery processes; regular portfolio reviews; ongoing monitoring and management of capacity; the development or adaptation of communications to address needs of recurring communications; the establishment of prioritization criteria; and lastly, implementing a more robust governance.

### **Positioning**

VIA Rail, as one of the most trusted brands in Canada, aims continue to contribute to Canada's economic, social and regional development in alignment with Governments' strategies through the provision of safe, efficient, accessible and sustainable services. 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 sustainability plan. It is also developing key partnerships with other levels of government and ensuring the Government's mobility investments include VIA Rail as a potential player in an inter-mobility network.

### **Service Offering**

Captured in this risk the ability to meet travel market needs through existing and future services.

Examples of applied controls are continued monitoring of customer needs and demand; focused marketing campaigns, better seasonal offering, and continued development of product offering.

### **Environmental, Social and Governance (ESG)**

This risk considers how environmental sustainability and social accountability are identified and built into the operations of the organization.

VIA Rail applies numerous controls in the management of this risk. Examples of applied controls are: the deployment of a sustainability strategy and quarterly reporting to the Board of Directors; initiation of a climate and transition risks

analysis; the exploration of science-based greenhouse gas reduction targets; development of an Indigenous Engagement Strategy; development of a 3-year accessibility plan; the use of a client survey on accessibility.

### **Talent Management**

This risk considers that VIA Rail's operational effectiveness 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, the review of the hiring strategy (particularly post COVID-19), adjusting the positioning and branding of the Corporation, and deployment of an updated diversity strategy.

## ANNEX 5. COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

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### 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](http://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 workforce. 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.

#### **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.

### **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. The regulation came into effect on September 2, 2022 and VIA Rail is fully compliant with the requirements therein.

### **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 3 phases have been completed and the new regulation was effective as of May 31st, 2022. VIA Rail have updated their track standards to reflect the change in the regulation and all affected employees have been informed.

### **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.

### **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 (2<sup>nd</sup> Supp.)

- Library and Archives of Canada Act, SC 2004, c 11
- Lobbying Act, RSC 1985, c 44 (4<sup>th</sup> 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

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### 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.

#### 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 will always be important. VIA Rail continues to offer a telemedicine application to facilitate access to medical services and tools to support its employees such as the LifeWorks platform by Morneau Shepell and 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.

#### 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).
- A 3-year D&I strategy and action plan to elevate VIA Rail's diversity maturity.
- D&I committee, with defined roles and responsibilities to support and promote the D&I strategy.
- The D&I Leadership Statement and commitment.
- The D&I SharePoint including lexicons, training resources, strategy, and recorded events, for all employees.
- 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, 2022

## EMPLOYEES

Indicator	Note	Measurement	2022	2021	2020	2019	2018
<b>WORKFORCE</b>							
Total workforce		Number of individuals	3,100	2,763	2,312	3,234	3,115
<b>EMPLOYEES DISTRIBUTION</b>							
<b>By gender</b>							
Female		% of total employees	34%	33%	28%	34%	36%
Male		% of total employees	66%	67%	72%	66%	64%
<b>EMPLOYEES BY CONTRACT TYPE</b>							
Permanent employees	(a)	Number of individuals	3,090	2,723	-	-	-
Temporary employees	(a)	Number of individuals	10	40	-	-	-
Employees covered by collective agreement		% of total employees	73%	73%	68%	77%	78%
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>							
<b>Employment equity Canada</b>							
Women		% of total employees	34%	33%	28%	34%	36%
Indigenous		% of total employees	2%	2%	2%	2%	2%
Visible minorities		% of total employees	18%	16%	14%	13%	13%
People with disabilities		% of total employees	3%	2%	1%	2%	2%
<b>Senior management positions</b>							
Female	(a)	% of senior management	34%	34%	-	-	-
Male	(a)	% of senior management	66%	66%	-	-	-
<b>Management positions</b>							
Female	(a)	% of management positions	31%	29%	-	-	-
Male	(a)	% of management positions	69%	71%	-	-	-
<b>Other positions</b>							
Female	(a)	% of other positions	45%	44%	-	-	-
Male	(a)	% of other positions	55%	56%	-	-	-
<b>Board of Directors</b>							
Female		% of the Board	50%	58%	58%	58	55
Male		% of the Board	50%	42%	42%	42	45
<b>Distribution by age</b>							
Below 30		% of total employees	12%	11%	9%	15%	16%
Between 30-50		% of total employees	61%	59%	57%	54%	53%
Over 50		% of total employees	27%	30%	34%	31%	32%



## 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.

As of 2022, VIA Rail’s Sustainability Plan is available on its website. The Sustainability Plan is built to contribute to the objectives and priorities set forth in the Treasury Board of Canada’s Greening Government Strategy and in alignment with Global Reporting Initiative (GRI) standards. The Sustainability Plan rests on three environment, social and governance (ESG) pillars with well defined goals and action plans.

### VIA Rail’s Sustainability Plan Summary

	Priorities	Strategies	2025 goals	Contribution to the SDGs <sup>1</sup>
ENVIRONMENTAL	Climate Action	Upgrade GHG reduction targets to support 2050 net-zero emissions ambition.	Reduce GHG emissions by 30% or more by 2030, compared to 2005.	
		Improve fuel and energy efficiency in all operations.		
		Complete review of climate change risks and implement action plan.	Integrate climate change risks in critical governance and decisional mechanisms.	
ENVIRONMENTAL	Environmental management	Reduce waste generated in our operations.	Offer a zero-waste train in the Québec City-Windsor Corridor.	
		Increase reuse, recycling, and organic waste collection.	Increase recycling to 60% and introduce organic waste collection in prioritized sites.	
SOCIAL	Employee Mobilization	Mobilize employees through an inclusive and sustainability centered culture.	Train 100% of employees on sustainability.	
			Majority of employees believe sustainability is a top priority for VIA Rail.	
SOCIAL	Community engagement	Expand active stakeholder engagement and develop strategic community investments in communities in Canada.	Align 80% of community investments with strategy.	
			Have a national employee volunteering program in place.	
GOVERNANCE	Responsible sourcing	Implement responsible sourcing policy and program.	Reach 80% integration of Policy by suppliers.	
GOVERNANCE	Credibility and recognition	Strengthen transparency through reporting and recognition in sustainability.	Receive third-party recognition of sustainability performance.	
		Actively contribute to the United Nations Sustainable Development Goals.		

## 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 will continue discussions regarding the planning and partnering of various travel opportunities to National Parks.