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# **SUMMARY OF THE 2021 – 2025 CORPORATE PLAN AND 2021 OPERATING AND CAPITAL BUDGETS**

**November 5, 2021**

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## EXECUTIVE SUMMARY

### Operating Environment & Overall Performance

In 2019, VIA Rail's ridership exceeded 5 million passengers, its best ridership ever on its existing network and its highest annual ridership in the last three decades.

2020, on the other hand, saw ridership fall to 1.1 million and was one of the most challenging years in VIA Rail's forty-two-year history. The transportation sector was especially hit hard as government and health authorities enacted restrictions in order to deal with the spread of the virus. VIA Rail was not spared, and at the peak of the travel decline in April 2020, VIA's ridership was down 98%. And unlike any other passenger transportation provider, just prior to the COVID-19 pandemic, VIA Rail underwent a sudden and severe service disruption during the rail blockades.

Despite the strain imposed by this exceptional operating environment, VIA Rail continues to progress with its strategic plan and major projects, such as the Corridor Fleet Renewal. Various project elements, such as schedules, working environment and important components of the global supply chain, will be monitored ever more closely to ensure a quick response should COVID-19 have further potential impact on the company's progress. Developments for each initiative can be found within the orientations of the executive summary and in section three of this plan.

### Pandemic Related Safety Measures

Since the beginning of the pandemic, the safety and security of passengers, employees, and the public has been VIA Rail's primary concern.

VIA Rail has implemented numerous safety measures such as:

- Strict cleanliness and hygiene protocols, including the regular and thorough cleaning of all hard surfaces in trains and increased daily cleaning and disinfection of stations, with special attention to surfaces such as door handles, handrails, elevators, washrooms, switches, etc.
- Mandatory use of face coverings in all stations and trains. Disposable masks are distributed to all major stations in our network and placed on board our trains. Hand sanitizer is available at all key points of contact.
- Messaging to passengers to exercise vigilance, good judgment and to follow the usual guidelines for good hygiene.
- Health checks are conducted by employees with customers before boarding trains. This includes health questions and looking for visible signs of illness prior to boarding.
- Limiting seating capacity on trains to respect physical distancing guidelines.
- Daily employee self health screening prior to physically reporting to work.

In addition to the physical health risks, the isolation and safety measures carry with them a mental health risk for employees. All employees have access to services such as telemedicine and the employee assistance program.

### Effective Financial Management – Government Fiscal Year 2020-2021

As a result of the present operating environment, VIA Rail had to manage an unprecedented revenue shortfall as it continued to provide much needed transportation services to Canadians. VIA Rail now estimates that 76% of its \$380 million revenue shortfall will be compensated through a series of gated, continuous service adjustments and cost containment measures. VIA Rail has, since the onset of the COVID-19 crisis oriented itself with Government actions, both that of social compassion together with an awareness of our obligations to our shareholder.

\$187.5 million of COVID-19 funding relief was provided to VIA Rail. VIA Rail will continue to manage prudently and intends, from the provided relief funding, to stretch \$95 million into Government Fiscal Year 2021-2022.

VIA Rail expects that a progressive recovery of travel demand will begin in 2021. The company's financial performance is likely to benefit first from local activity, then from a protracted increase in inter-provincial and eventually international activity. However, it may take until 2024 to return to the level of demand seen in 2019. Under such conditions VIA Rail – while continuing to prudently provide needed transportation services to Canadians as it has done in 2020 – would be forced to seek additional funding during Government Fiscal Year 2022-2023 and 2023-2024.

## Corporate Orientations

### 1. Improve the reliability, safety, accessibility, and environmental footprint of the Quebec – Windsor Corridor and the Long-Distance service

#### Quebec-Windsor Corridor Fleet Renewal.

The selection of Siemens Canada as the manufacturer chosen to replace VIA Rail's current Québec City – Windsor Corridor fleet was announced on December 12, 2018. The 32 new bi-directional trains, with a total capacity of 9,100 seats, will exceed the latest safety standards, will be equipped with improved passenger amenities & enhanced universal accessibility, and will meet the EPA – Tier 4 emission standards.

Despite the COVID-19 pandemic, the delivery of trainset #1 is still expected in fourth quarter of 2021 for the start of winter testing. Mitigation measures include the use of schedule contingencies and a tight focus on testing and production of the first trainset. An important and ongoing consideration for the timely delivery of this project is that COVID-19 could again hamper global supply chains.

#### Heritage Fleet Modernization.

A major equipment project undertaken by VIA Rail is the refurbishment of its heritage fleet. This program aims to modernize the aging fleet of HEP cars utilized on the Long-Distance services.

In 2020, VIA Rail responded quickly to the unforeseen issues of the Heritage Fleet with an adjustment of its project scope and the effective execution of repairs.

### 2. Improve the efficiency, reliability and environmental footprint of the Quebec – Windsor Corridor

#### High Frequency Rail (HFR).

Since the June 2019 investment announcement of \$71.1 million by the Government of Canada and Canada Infrastructure Bank (CIB) to explore VIA Rail's HFR proposal, A number of activities have been completed.

Federal Budget 2021 proposed that further, material funding be provided to Transport Canada and VIA Rail in support of the next steps towards HFR. Continuing their collaboration with the JPO, the groups are expected to advance due diligence and de-risk the HFR project.

### 3. Ensure reliable and sustainable access to stations owned by third parties

#### Ensure co-existence and interoperability with the Réseau Express Métropolitain (REM), maintain access to current route, and protect access for future expansion.

The CDPQ – and its subsidiaries, CDPQ Infra and InfraMtl.co – acquired Central Station and the rail infrastructures leading in and out of it, as well as the portion of infrastructure giving access to VIA Rail's Montreal Maintenance Centre. To address both the financial metrics associated to the access rights and the important operational considerations to VIA Rail's continued access, a negotiation committee was created and negotiations between VIA Rail and CDPQ have started in the Fall of 2020 and are continuing to attempt to come to terms regarding access and use of commercial space in the station.

#### Creation of a Metrolinx and VIA Rail joint committee for Union Station renovations.

VIA Rail and Metrolinx have created a joint committee to optimize the use of the station. This committee has identified several operating and capital solutions that will allow all trains to continue serving this critical transportation hub. Metrolinx and VIA Rail management are committed to making Union Station a key intermodal hub for local, regional and intercity trains in the Québec City–Windsor corridor.

VIA Rail and Metrolinx concluded a transitional Train Services Agreement in October 2020. The Train Service Agreement (TSA) governs VIA Rail's access to Metrolinx's network except for the access to the tracks and platforms at Toronto Union Station which is governed by the Rail Service Agreement (RSA). The transitional agreement paves the way towards a new consolidated rail service and track access agreement to be reached in 2022.

### 4. Improve reliability and efficiency of railway track access

#### Leverage best practices and seek out collaborative resolution methods regarding capacity and punctuality management that engage the host railway, VIA Rail, and the Federal government.

Of the infrastructure over which VIA Rail operates, 97.5% is owned by third party host railways, with CN owning the majority (83%). VIA Rail negotiates access to this infrastructure through Train Service Agreements (TSAs) with these entities.

VIA Rail believes that the best solution to address the unbalanced relationship between itself and third-party host railways is that future TSAs should incorporate best practices regarding capacity and punctuality management.

#### **Negotiate implementation terms and timing with CN to comply with 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 is proposing to change the scope of the regulations and possibly extend the 2021 deadline.

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

### **5. Explore reliable service delivery options and growth opportunities**

#### **Develop options to offset the service delivery issues and its consequent financial difficulties caused by poor OTP and schedule changes due to OTP.**

The travel time and low frequency on the *Canadian*, as it exists today, limits opportunity for intercity passengers; and the delays impact the ability to ensure tourists enjoy key sites at the indicated time and for the indicated duration. In addition, the equipment condition is falling behind customer expectations. A new solution to maintain and preserve services and provide Canadians with mobility is required.

#### **Conceptualize a restructuring of Long-Distance services to maintain service on the Ocean.**

VIA Rail has developed a solution to ensure service continuity of the *Ocean* following the loss of access to the Halterm rail loop in Halifax once service resumes, while ensuring the availability of both the accessible coach and the sleeper with an accessible cabin.

#### **Replace the Long-Distance fleet.**

A new fleet will be required; the HEP cars are 65 years old or older and subject to unexpected issues. The repair of these issues will provide 15 additional years of life, but any further life extension is not feasible.

As a result of the limited useful life of its HEP equipment and lengthy procurement delays, VIA Rail will undertake analysis to support the replacement of its Long-Distance equipment to protect the safety and integrity of the current equipment until a replacement fleet arrives.

#### **Explore expanding services in South Western Ontario – Toronto to Windsor Emphasis on the Toronto – Kitchener, Toronto – London markets.**

South Western Ontario (SWO) is a key and significant market that is underserved. Its population is 4.4 million and is expected to grow 34% between 2020 and 2041. The road infrastructure is already highly congested, and the relatively short distances give passenger rail a natural advantage in SWO.

VIA Rail will explore expanding services in this area with a particular emphasis on the Toronto – Kitchener, Toronto – London markets, as well as explore furthering its partnership with Metrolinx.

### **6. Ensure continued stakeholder engagement and consultations**

#### **Continue public outreach with key stakeholders at the federal, provincial and municipal level.**

VIA Rail will continue emphasizing the Corporation's social responsibility, its vision for sustainable mobility, and its commitment to promoting the prosperity of communities. VIA Rail will continue its public outreach with key stakeholders at the federal, provincial and municipal levels, with the Indigenous Community, Chambers of Commerce, Civil Society and its passengers, and the communities it serves from coast to coast. These activities will be based on the International Association of Public Participation model.

As it pertains to the responsive and informed governance surrounding the COVID-19 pandemic, engagement with government stakeholders and general oversight will continue in the same fashion as it has throughout 2020. VIA Rail will regularly re-evaluate its positions, utilize appropriate oversight, and share the latest operational and financial updates with key government stakeholders.

### **7. Expand our accessibility, environmental, social and governance commitments**

#### **Prepare a Three-Year Accessibility Plan.**

In accordance with the Accessible Canada Act, a three-year plan covering the period from 2021 to 2023 has been developed to implement initiatives across several focus areas such as: built environment, communications and

information technologies, procurement, and design & delivery of services programs. VIA Rail has engaged with partners such as advocacy groups and Accessible Standards Canada who have already expressed support for the initial plan design.

#### **Establishing Areas of Focus for the Environmental, Social and Governance Action Plan.**

The sustainability plan will focus on six priorities covering environmental, social and governance spheres. The actions would see VIA Rail further its performance in environmental resource management, climate action, employee mobilization, community engagement, responsible sourcing and reporting.

#### **Conclusion**

The pre-Covid-19 2020-2024 Corporate Plan noted that *“The role of VIA Rail has evolved through the years, adapting to the realities of society. We are again seeing the need for VIA Rail to adapt to the reality of Canadians; who they are, where they live and what they believe in... where the older generation is looking for a safe, comfortable and accessible mode of transportation...”*.

More so now than ever, VIA Rail continues to adapt to the new reality that all Canadians now face.

VIA Rail believes that it is uniquely positioned to be a key contributor to Canada’s recovery. Our resilience, our readiness to adapt, and our strategies of Return to Service and Cost Containment will ensure the ongoing viability of VIA Rail and intercity rail services so essential to the wellbeing of Canada.

# 1. OVERVIEW

## 1.1 Mandate and Public Policy Role

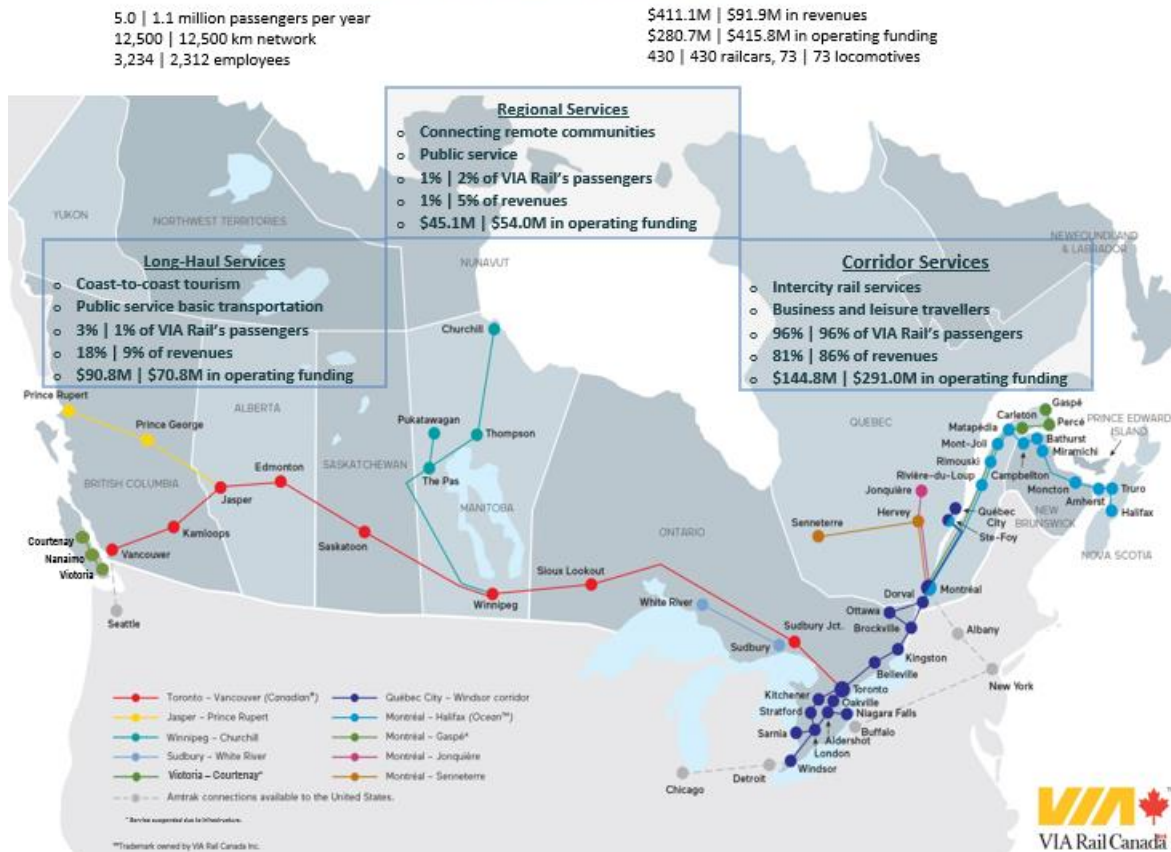
VIA Rail Canada Inc.'s mandate is to operate the national passenger rail services on behalf of the Government of Canada, as approved through the annual Corporate Plan, offering intercity rail services and ensuring rail transportation services to regional and remote communities. Its objective is to offer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

## 1.2 Vision and Mission

VIA Rail developed a strategic direction up to the year 2025 to lay the groundwork for future successes. As part of its annual Strategic Planning process, the Corporation reviews its strategic orientations and ensures that the roadmap of its initiatives and critical projects are well aligned with VIA Rail's vision to be a smarter way to move people while putting passengers first. The underpinning of this planning 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

### VIA RAIL'S NETWORK 2019 | 2020



In a typical year, VIA Rail operates over 450 trains per week in all regions of Canada over approximately 12,500 kilometres of rail. However, in 2020, VIA Rail encountered an atypical year heavily impacted by the COVID-19 pandemic. The impacts of the pandemic were such that VIA Rail was forced to alter its operations and therefore could not repeat nor improve upon the results of recent years. In 2020 VIA Rail carried 1.1 million passengers, with 2.9 million train miles and 227 million passenger miles – while in 2019, those results were 5.0 million passengers, 6.9 million train miles and 1,055 million passenger miles.

VIA Rail has made significant efforts to contain the growth of its operating deficit and thus, its reliance on government funding. As the Corporation pursues commercial strategies to increase its ridership, the relevance of its services, and the growth of its revenues, it is imperative that these strategies not negatively impact the Corporation's bottom line. This will be achieved by ensuring that these new services or frequencies positively or neutrally impact the bottom line, or by forcing the Corporation to find other offsets within its current operations.

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

## 1.4 VIA Rail Markets & Services

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

The 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–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, Montreal, Ottawa, Kingston, Toronto, London, Kitchener, Sarnia, and Windsor for a host of reasons (business, school, family matters, or simply visiting).



### 1.4.2 Long-Distance Services

#### The Canadian

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

#### The Ocean

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





### 1.4.3 Regional Services

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

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

Columbia and Northern Manitoba (for example, polar bear season in the Hudson Bay area in October).

## 2. OPERATING ENVIRONMENT

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### 2.1 External Environment

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

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

In 2020, the external environment experienced an unprecedented once in a lifetime event. Demand for travel and tourism – across all modes – at the peak of the pandemic essentially evaporated. Activity for both sectors has remained depressed since. The latest figures for each determinant reveal that real GDP declined 2.8%<sup>1</sup>, population grew 1.1%<sup>2</sup>, Canadian tourism GDP (nominal) declined 51.2%<sup>3</sup> and foreign tourism declined 86.1%<sup>4</sup> from 2019 to 2020.

VIA Rail expects that a progressive recovery for the primary determinants of travel demand will begin in 2021. Local activity is likely to be first to show signs of recovery, followed progressively over an extended period by inter-provincial and eventually international activity. Other circumstances that create increasing demand for rail travel, such as road congestion and environmental concerns will also return as prominent drivers.

### 2.2 Return to Service Strategy

To navigate the unprecedented change in the operating environment caused by the COVID-19 pandemic, the Corporation has implemented a key guiding strategy which is a gradual gated Return to Service approach. VIA Rail monitors demand and adjusts capacity to maintain the proper balance between service levels and financial performance. This approach is decision-gated with a well-defined set of signals and triggers overseen by a cross functional task force representing all of VIA Rail's functions.

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

#### Train Operations:

- In the Corridor, train services are adjusted in line with expected market demand.
  - In this market, where there are normally multiple daily frequencies, VIA Rail adjusts frequencies, upwards or downwards, to strike the proper balance between service levels and financial performance. Some of the demand-response measures include adding additional cars to trains that have reached their capacity thresholds, re-introducing same day return options and the rebalancing of cycling plans to better address schedule requirements or allow travelers to plan for connections between VIA Rail services.
- Long-Distance train services are suspended or in partial operation.
  - The *Canadian* resumed partial services on December 11, 2020 with intercity transportation from Winnipeg to Vancouver. VIA Rail will work with public health authorities as well as the federal and provincial governments towards the full recovery of long-distance service for Western Canada.
  - VIA Rail is committed to resuming service on the *Ocean* when the appropriate combination of safety, regulatory, and market signals indicate that it is feasible to do so. Service is currently expected to resume, once a week, with economy and sleeper classes, in the summer of 2021.
- Regional train services have been reduced, though all continue to operate.

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<sup>1</sup> GDP as of November 2019 relative to November 2020.

<sup>2</sup> Population estimate for 2019 relative to 2020.

<sup>3</sup> Canadian Tourism GDP as of September 2019 relative to September 2020.

<sup>4</sup> Foreign tourism as of November 2019 relative to November 2020.

- Only Winnipeg-Churchill operates more than once a week. This service continues to offer, as it did prior to COVID-19, two roundtrips between Winnipeg and The Pas, and three between The Pas and Churchill.

The result from these ongoing service adjustments is an overall reduction of operating costs, namely TSA charges, food and beverage expenses, certain rolling stock maintenance expenses, and fuel, amongst others.

**Onboard capacity:**

At the onset of the pandemic, for the safety of our passengers and employees, VIA Rail had limited the onboard capacity to that of 30% of the cars' capacity. The mandatory use of face coverings has allowed for the capacity to increase to approximately 50%. VIA Rail will continue to monitor the health authority's guidance as well as global best practices to evaluate the timing of any future increase of seating capacity beyond the current 50%.

**2.2.1 Competition in the Corridor**

Notwithstanding present circumstances, due to the distances between the three large cities within the Corridor (Toronto, Ottawa, Montreal), VIA Rail's main competitor is the automobile, which typically makes up 90% of the total travel market. Evidence from popular international corridors suggests that VIA Rail can improve on its 5% share of the total car and train trip market.

International corridors demonstrate one clear advantage over the automobile: access to the downtown core on an uncongested right-of-way. This advantage, along with frequent service, has promoted commuter and regional rail, and can promote intercity rail.

The following table describes VIA Rail's general competitiveness vis-à-vis the automobile in the Corridor.

	Automobile	VIA Rail Current	VIA Rail High Frequency Rail Proposal
<b>Convenience</b>	Always available for departure	Very limited frequencies	Train every hour
<b>Reliability</b>	Subject to road congestion	Subject to freight congestion	Dedicated 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 increased congestion will improve passenger rail's attractiveness. Furthermore, airport congestion should make passenger rail an essential part of Canada's mobility mix. It is VIA Rail's firm belief that passenger rail, as demonstrated in many developed nations, fills an important role in alleviating congestion.

**2.2.2 Access to Toronto Union Station and Montreal Central Station**

VIA Rail relies on continued access to Union Station and Central Station, where approximately 46% of all VIA Rail passengers start or end their trips.

That VIA Rail does not control its access to Toronto Union or Montréal Central stations is a major business risk. Downtown to downtown service is an absolute key for intercity passenger rail success. VIA Rail's performance and viability is highly dependent on access to these two major metropolitan hubs. This access however is affected in Toronto by Metrolinx, and in Montréal by CDPQ. The former is a commuter and transit operator which is rapidly expanding and acquiring their own track from freight railroads, or constructing it themselves, as is the case with part of their Regional Express Rail (RER) project. The latter is a non-railway company which owns the rail infrastructure leading in and out of Montreal's Central Station.

Pressure generated by the operating environment is increasing as a result of the multi-billion-dollar development plans underway at both of these stations. VIA Rail could face difficulty accessing or increasing frequencies due to the local service providers that are each seeking to significantly increase their offering relative to current operations.

Negotiations are currently underway to secure continued access to both Montreal and Toronto stations and VIA Rail endeavours to achieve favourable terms through commercial negotiations in order to improve our operations. The latest information pertaining to those activities can be found in section 3.4.

### 2.2.3 Railway Track Access and Relationship with Host Railways

VIA Rail is in a dependent relationship, as 97.5% of the utilized infrastructure is owned by host railways (CN owning 83%). Indeed, every VIA Rail train operates over host railway infrastructure. VIA Rail therefore, competes for track capacity with host railways (CN, CP, and others) from whom it must negotiate its Train Service Agreements (TSAs).

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

Numerous studies have shown that VIA Rail pays amongst the highest track access fees when compared to both North America and Europe, without receiving the corresponding level of access quality or reliability. Compared to its closest counterpart Amtrak, which also heavily relies on access to freight railway infrastructure for the majority of its non North East Corridor services, VIA not only pays higher access fees but does not benefit from the statutory right to priority when operating on the freight railway infrastructure.

An example of the inferior position and access issues faced by VIA Rail is the lengthening of the *Canadian's* schedule. Twice in recent years, the schedule was lengthened on the recommendation of the host railway to avoid such delays, however, they continue. In addition, Corridor and Long-Distance trip times have increased over time.

### 2.2.4 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 is proposing to change the scope of the regulations and possibly extend the 2021 deadline.

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

### 2.2.5 The *Canadian* and the Host Railway

Notwithstanding the present circumstances, eventually the conditions to restore all services will present themselves and the long-standing problems impacting the *Canadian* will also return.

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 our high-end Prestige Class, VIA Rail has had to modify the schedule, adding over ten hours, in order to help mitigate OTP. As well, as a result of the infrastructure owner's work programs, VIA Rail has been limited to operating two end-to-end journeys, which, coupled with three significant schedule changes within a year, has led to significant financial difficulties.

Poor OTP has been a long-term recurring problem. In 2009, VIA Rail needed to add one additional night to the total journey, thus allowing more schedule "float" to ensure that connections were met. Prior to 2009, OTP declined from 72% in 2002 to 23% in 2008. Following the 2009 schedule extension OTP rebounded to 84% but deteriorated in the long term to an OTP of 8% in 2017. Some delays have reached as much as 43 hours.

The schedule was again extended in mid-2018 and again in 2019 to further alleviate OTP. The total schedule increase of the two extensions is approximately 22 hours, or close to a 50% increase in total trip time since 2008. The current scheduled trip time is four days and one hour. Total year 2019 OTP is 55.9%. Despite the service suspension and lower number of frequencies in 2020, OTP was only marginally better than the previous year at 59.6%.

There is an additional consideration to these schedule extensions: reduced efficiency, increased operating costs, and equipment utilization pressures. In 2009, the schedule increase required that VIA Rail create one additional train consist, with an increase from three to four consists needed to operate the three peak round trips. In 2019 the pressures intensified when the schedule change required that five train consists be used to operate the three round trip Toronto – Vancouver frequencies of the *Canadian*.

## Service Delivery Options

The *Canadian's* current travel time and low frequency limits opportunity for intercity passengers; and the delays impact the ability to ensure tourists enjoy key sites at the indicated time and for the indicated duration. In addition, the equipment condition is falling behind customer expectations.

The primary cars used outside the Corridor (HEP cars) are 65 years old or older and subject to unexpected issues. The repair of these issues along with other potential upgrades would provide fifteen additional years of life, but any further life extension is not feasible.

A new fleet is required to support VIA Rail's non-corridor services. In the event a new fleet is approved; the procurement delay is expected to be approximately ten to fifteen years depending on equipment requirements. Consequently, the current cars and locomotives will require investments, beyond the scope of the Heritage Fleet Modernization program, to ensure their reliability for the duration of their service lives until the transition to a new fleet.

### 2.2.6 The *Ocean* and the Halifax Rail Loop

VIA Rail's *Ocean* service used a rail loop to reverse the direction of its trains in Halifax, to allow for the return trip back to Montréal. VIA Rail lost access to the rail loop in November 2020.

A solution was developed to ensure continuity of the 117-year-old *Ocean*, once service resumes following its suspension since March 13, 2020. The revised train consist will have the main body of the train comprised of both HEP1 and Renaissance cars together with two F40 locomotives that are coupled back to back. The locomotives will be cut off the head (front) end of the Eastbound train at Halifax, switched on to an adjoining parallel track and will be coupled to what will be the head end of the Westbound train. In this manner the train will not be turned, rather, the locomotives will have swapped ends of the train. The use of Renaissance cars maintains the availability of both the accessible coach and the sleeper with an accessible cabin, ensuring that a high level of accessibility is provided.

### 2.2.7 Regional Services

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

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

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

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

The Victoria–Courtenay and Matapédia–Gaspé services have been suspended for safety reasons due to the poor condition of the rail infrastructure. The Winnipeg – Churchill service, from Amery (north east of Gillam, Manitoba) to Churchill was also suspended for an eighteen-month period.

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

The *Société du chemin de fer de la Gaspésie*, the infrastructure owner of the Matapédia–Gaspé line, was purchased by the Government of Quebec in 2015. With the Government of Quebec's announcement of planned infrastructure improvements to allow for the return of passenger service. It is important to note that the Gaspé services were operated

jointly with the *Ocean* service from Montréal to Matapédia, where the combined trains were split, the Gaspé services continuing onwards to Gaspé, and with the *Ocean* service continuing onwards to Halifax. VIA Rail expects that the Matapédia–Gaspé service will resume at sometime during the term of this Corporate Plan. Subsequent Corporate Plans will provide updated information as it becomes available.

### **2.2.8 Canada Emergency Commercial Rental Assistance Program (CECRA)**

In April 2020, a new program was announced to help small businesses and provide them with relief for their rent expenses. The aim of the program was to lower the rent payable by eligible small businesses by 75%. This included not-for-profit and charitable organizations which pay less than \$50,000 per month in rent and have temporarily ceased operations or have experienced at least a 70% reduction in revenues. The program covered the months of April through September.

A new replacement program was announced in October 2020. The Canada Emergency Rent Subsidy would provide rent and mortgage support until June 2021 for qualifying organizations affected by COVID-19. It calls for a total subsidy of 75% to be split into 50% from federal and provincial governments and 25% from the property owners.

While this program is not applicable to non-agent Crown corporations, VIA Rail and others were nonetheless expected to align rent relief measures of this program and extend forgiveness for 75% of the monthly rent payments that would be payable by eligible small business tenants.

### **2.2.9 Office of the Auditor General Special Examinations**

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

Amongst the deficiencies noted are that VIA Rail does not own the majority of the rails that it uses, and that its trains do not have the right of way. It also noted the increasing rail network congestion and on-time performance issues.

## **2.3 Internal Environment**

### **2.3.1 COVID-19 Labour Force Reductions**

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

Since the onset of the crisis, these measures have been counterbalanced by VIA Rail's alignment with Government actions, including that of social compassion together with an awareness of our obligations to our shareholder. The salary compensation measures themselves were aligned with the Government of Canada's COVID-19 Economic Response Plan of avoiding layoffs and protecting individuals and families from loss of income. In addition to salary compensation measures, employees affected by lay-offs continue to have access to the VIA Rail Health plan for a period of one year after the date of lay-off.

### **2.3.2 Labour Force**

As of December 31, 2020, VIA Rail had 3,328 employees, with 1,016 on layoff. Of the 3,328 employees, 2,558 members belong to one of two unions.

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

### **Forbes Top 50**

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

### **Engagement Survey**

VIA Rail's overall engagement score for 2020 represents the highest result since 2015 and a strong improvement over the score in 2019. Throughout the year, VIA Rail has made a concerted effort to remind employees to care for their psychological and physical well-being. The responses to these measures and the overall engagement score are

encouraging signs of the effort's effectiveness. The company remains conscious of the ongoing effort and adaption required by current circumstances.

### **2.3.3 Enhance customer satisfaction and booking experience**

A key project is the modernization of ReserVIA, which will enable VIA Rail's business and update the 20 year old system. The new reservation system will provide customers with a seamless, user-friendly and personalized experience, with seat selection, social media integration, personalized content, and seamless functionality across platforms and on smartphones and will allow for increased passenger bookings in the event of HFR approval. This modernized system will be scalable and aligned with Canada's Digital Standards to best serve passengers. It will also allow for integration with our Customer Relationship Management (CRM) system.

The reservation system project launch was postponed from August to October 2020 due to the COVID-19 pandemic. Members will apply Agile management methodologies and focus on the build phase for the near future. Ultimately, the new system is expected to reach implementation in 2022.

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

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Intercity passenger rail can contribute to national economic performance, environmental well-being, and the alleviation of road congestion. Improving VIA Rail's financial viability is a key component to increasing that contribution. A focus on customer-centricity has aligned the company with positive operating and financial results, and pushed VIA Rail to pursue the implementation of its passenger-led strategies as listed in the executive summary.

#### 3.1 High Frequency Rail

On June 25, 2019, the Government of Canada and Canada Infrastructure Bank (CIB) announced it would commit a total of \$71.1 million to further explore VIA Rail's HFR proposal. A Joint Project Office (JPO) was established between the CIB and VIA Rail to explore the possibility of HFR in the Quebec City-Toronto Corridor.

Federal Budget 2021 proposed that further, material funding be provided to Transport Canada and VIA Rail in support of the next steps towards HFR. Continuing their collaboration with the JPO, the groups are expected to advance due diligence and de-risk the HFR project.

The HFR project would include acquiring dedicated access to available or abandoned freight railway ROW and building new track between Toronto and Smith Falls, by way of Peterborough; and between Montréal and Québec City, by way of Trois-Rivières. This would be done while upgrading our mostly proprietary Smith Falls–Ottawa–Montréal line to accommodate trains travelling at higher speeds along the new HFR corridor. Although VIA Rail's tracks represent only 2.5% of the infrastructure on which it operates on, they are responsible for 13% of the company's train-miles. The control of this portion of track allows VIA Rail to offer several round trips per day while avoiding CN's congested lines and the bottleneck at Coteau Junction. With far better OTP where VIA Rail owns and controls its infrastructure, the gains from investing and operating on its own infrastructure are clear.

By adding to the current frequencies running on freight railways, for instance, up to 15 new return frequencies per day in the Corridor, the number of passengers carried is expected to increase significantly. In a study commissioned by VIA Rail as part of its business case submission to the government in 2016, it was projected that ridership could reach up to 9.9 million per year by 2030. Due to evolving considerations, the JPO's revised projections recommend that the result be scaled down to account for changes to the operating environment.

#### Expected Results

The expected results are:

- A formalized agreement with the CDPQ, through which efficient and high-quality access to Montreal Central Station is guaranteed.

These activities will contribute to achieving efficient and reliable passenger rail, as measured by the percentage completion of the de-risking activities in 2021.

#### 3.2 Corridor Fleet Renewal

On December 12, 2018 VIA Rail announced the selection of Siemens Canada as the manufacturer chosen to replace VIA Rail's current Québec City – Windsor Corridor fleet. The selection was made following an extremely rigorous and transparent procurement process open to all interested suppliers, respecting Canada's trade obligations, and leading to the best possible result for Canadians. Despite the COVID-19 pandemic, the delivery of the first trainset is still expected to be on-time for the start of winter testing. Mitigation measures include the use of schedule contingencies and a tight focus on testing and production of the first trainset. An important and ongoing consideration for the timely delivery of this project is that COVID-19 could again hamper global supply chains.

The key elements of the Corridor Fleet Renewal Project are described below.

#### Rolling Stock Acquisition Project

With first deliveries beginning in the first half of 2022, millions of VIA Rail passengers who travel Canada's most popular route will experience a new age of passenger rail transportation. Passengers will benefit from more comfortable and



flexible interior designs, safety and accessibility features that exceed existing standards, and fuel-efficient locomotives that will reduce the carbon footprint of their travel. To ensure VIA Rail is ready to receive and begin revenue services with these new trains, the company dedicated a specialized cross-functional team who will launch the necessary efforts in 2021.

The 32 bi-directional trains, with a total capacity of 9,100 seats will be delivered by 2024. On-time delivery was a fundamental element of the selection criteria, which also included the product's quality and price.

### **Maintenance Facilities Upgrade Project**

VIA Rail also needs to upgrade the Montreal and Toronto Maintenance Centres to adapt for the new trainsets. VIA Rail needs to deploy, service, and maintain the existing fleet and the 32 new trainsets. The RFP process for the upgrade of these centers was launched at the end of 2020.

### **Maintenance Process Transformation Project**

Maintenance processes must be adapted for the maintenance program for the new trainsets, as well as provide the necessary training for the maintenance of the new trainsets.

Over its 30-year expected lifespan, the new fleet will be maintained in Canada by qualified VIA Rail employees at VIA Rail's Montreal and Toronto Maintenance Centers. Maintenance activities will be supported by a 15-year Technical Services and Spares Supply Agreement (TSSSA). The agreement includes annual technical support service, annual spare supplies management, and spare supplies material. VIA Rail also has the option to renew for an additional period of 15 years.

### **Information Systems Integration Project**

This project will integrate the equipment and systems and build the interface between the 32 new trainsets, and VIA Rail's functional and administrative departments. This involves the design and implementation of IT system integration to link various solutions and applications together with building vertical and horizontal interfaces to enable various VIA Rail departments to coordinate, monitor, report, communicate and support VIA Rail services. Locomotive engineer cab simulators are part of this project as well.

### **Program Management**

This portion of the Corridor Fleet Renewal project acts to ensure each of the other pieces are delivered cohesively and in accordance with their schedule, scope and cost. It comprises resources drawn from various departments such as the Project Management Office, Procurement, Finance, Safety and Legal Services.

### **Expected Results**

The expected results are:

- That the Corridor Fleet Renewal and all deliverables will progress as per the contract schedule. Tracking for all the above noted elements will be performed against the contractual requirements, i.e. forecast versus baseline. The most obvious public result will be the delivery of the trainsets starting in 2022.

These activities will contribute to achieving safe, accessible, efficient, reliable, sustainable and environmentally friendly passenger rail, as measured by the difference between the delivery of a milestone and the Project Schedule.

## **3.3 Heritage Fleet Modernization & Capacity Protection**

### **Heritage Fleet Modernization**

A major equipment project undertaken by VIA Rail is the refurbishment of its heritage fleet. Known under the umbrella of "Heritage Fleet Modernization", this program aims first and foremost to modernize the aging fleet of HEP cars utilized on the Long-Distance services. VIA Rail launched programs to modernize the interiors, critical systems, and kitchens of its coach and diner cars.

In 2020, VIA Rail responded quickly to the unforeseen issues of the Heritage Fleet with an adjustment of its project scope and the effective execution of repairs.

## Capacity Protection

As a secondary objective, the above equipment investments will lend a limited number of modernized HEP coach cars to Corridor services in order to protect seat capacity until the new Corridor trainsets are in service. The number of coach cars required for capacity protection has been reduced relative to the original plan and business case. This is due to an easing of network capacity as a result of the new Corridor fleet beginning delivery in 2022.

## Expected Results

The expected results are:

- that VIA Rail will maintain capacity at or near current levels until the new Corridor Fleet is put into service.

These activities will contribute to achieving safe, efficient, reliable passenger rail, as measured by maintaining fleet capacity and therefore maintaining services.

## 3.4 Station Access

VIA Rail must ensure it maintains its existing access to both Toronto Union Station and Montreal Central Station so as to protect its core operations in the Corridor. This in turn, will also allow for future ridership and revenue growth.

For future growth, additional capacity, given that the physical size of these stations is finite, can only be gained through improved, more efficient utilization of the stations, by means of a combination of shorter dwell times, shorter intervals between trains and additional frequencies. Additional frequencies are dependent upon the hosts railway's practices regarding capacity and punctuality management. The limitation of access to both stations are recognized risks by VIA Rail and are enumerated within VIA Rail's risk register (Annex 4).

### Union Station:

This is VIA Rail's busiest station, with over 2.9 million of its passengers starting or ending their trip at Union Station for 2019 and is key to VIA Rail's current operations, future growth and planned HFR project. In April 2016, Metrolinx and VIA Rail established a joint taskforce which explicitly addresses the need for operational and infrastructure changes at Union Station. So far, the taskforce has looked into operational solutions (such as changes in the track allotment) and potential infrastructure modifications (e.g. additional and/or extended platforms) but, increasing the station capacity to accommodate more than twice as many trains during peak hour will require more drastic solutions, which are to be identified through the help of external consultants. VIA Rail and Metrolinx have also agreed to install Communications Based Train Control, which may eliminate capacity constraints at Union Station. Both parties continue to work towards improving capacity.

In addition to the work on capacity, VIA Rail and Metrolinx concluded a transitional Train Services Agreement in October 2020. The Train Service Agreement (TSA) governs VIA Rail's access to Metrolinx's network except for the access to the tracks and platforms at Toronto Union Station which is governed by the Rail Service Agreement (RSA). The transitional agreement paves the way towards a new consolidated rail service and track access agreement to be reached in 2022.

### Montréal Central Station:

Montréal Central Station is second only to Union Station as a key component of the Canadian passenger rail network. In 2019, over 1.6 million passengers started or ended their VIA Rail journey there. Access to this heritage classified station and to Montréal's downtown core is key to the current operations of VIA Rail, its planned HFR project and the future development of passenger rail in Canada. In addition, the arrival of the Caisse de Dépôt du Québec (CDPQ) light rail service (REM) as of 2022, will make Central Station the second most important intermodal hub in the country, therein the importance for VIA Rail to secure continued access to this station for its current and planned HFR operations.

The CDPQ – and its subsidiaries, CDPQ Infra and InfraMtl.co – acquired Central Station and the rail infrastructures leading in and out of it, as well as the portion of infrastructure giving access to VIA Rail's Montreal Maintenance Centre. To address both the financial metrics associated to the access rights and the important operational considerations to VIA Rail's continued access, a negotiation committee was created and negotiations between VIA Rail and CDPQ have started in the Fall of 2020 and are continuing to attempt to come to terms regarding access and use of commercial space in the station. VIA Rail hopes to ensure a long-term partnership with CDPQ as both the REM and the VIA Rail operations at Central Station are key to the economy and intermodal needs of Canadians.

## Expected Results

The expected results are:

- That VIA Rail will maintain its current access and capacity to both Central Station and Union Station as well as the capacity for future growth, either for HFR or non-HFR operations.
- That VIA Rail will obtain a consolidated TSA agreement with Metrolinx pertaining to Union Station and the Union Station Rail Corridor during the period covered by this Corporate Plan.
- That VIA Rail will extend the lease for the non-track sections of Montréal's Central station (i.e. the commercial spaces included in the Great Hall).

These activities will contribute to achieving safe, efficient, reliable passenger rail. The expected results are the continuing access to these stations, together with the ability to add frequencies (departures and arrivals) when appropriate.

### **3.5 Track Access – Relationship with Host Railway**

VIA Rail believes that the best solution to address the unbalanced relationship between itself and third-party host railways is that future TSAs should leverage, incorporate and feature best practices regarding capacity and punctuality performance management. This would lead to a more efficient use of Canada's national railway network, to the benefit of freight and passenger services alike.

These best practices would include:

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

Prior to the Covid-19 pandemic, VIA Rail was successful in increasing ridership and revenue for each of the last five years. That, however, was achieved in a context where VIA Rail had little control over the key assets required to operate efficiently and commercially. Because it cannot readily add frequencies, control departure, arrival, and trip times, or OTP, the company will eventually reach a saturation point, where no tactical or strategic improvements can compensate these material operating constraints. The eventual outcome to not addressing these elements will be both financial and reputational. Fewer passengers will imply lower revenues, poor operating conditions will increase costs and the combination of those conditions will result in increased Government subsidies and harm to the Corporation's brand.

The renewal of the TSA with CN remains critical to VIA Rail, regardless of the decision taken for the HFR proposal.

#### **Expected Results**

The expected results are:

- That VIA Rail will renew the TSA with CN.

These activities will contribute to achieving safe, efficient, reliable passenger rail, as measured by the improved OTP and more predictable trip times, assuming than an equitable and fair TSA is obtained.

### **3.6 Exploring service delivery options and growth opportunities.**

VIA Rail has identified one service delivery option for Long-Distance services in the east and is exploring options for two other services.

#### **Service Delivery:**

- **Long-Distance, Eastern Services:** Although, the *Ocean* was suspended since March 13, 2020, VIA Rail remains committed to a full recovery of its long-distance service for Eastern Canada. A solution has been developed to ensure service continuity of the *Ocean* once service resumes, following VIA Rail's loss of access to the Halterm rail loop in Halifax, which was required to reverse or "turn around" the train.

The revised train consist will have two F40 locomotives coupled back to back. The locomotives will swap ends of the train by way of an adjoining parallel track, effectively changing the heading without turning the train. The use of Renaissance cars will continue the availability of both the accessible coach and the sleeper with an accessible cabin, ensuring a high level of accessibility.

### Service Delivery – Exploratory Options

- **Long-Distance**, the *Canadian*, and other services in Western Canada require measures to revitalize them and move away from a business model that, due to the operating environment, is difficult to sustain.
- **South Western Ontario (SWO)**, a rapidly growing area that is already currently underserved, where passenger rail is a natural transportation solution.

### Expected Results

VIA Rail will continue to explore service delivery options for these services and will submit detailed business cases towards any budget request substantiation in 2021.

#### 3.6.1 Ensure viability of the *Canadian* and other services in Western Canada

The *Canadian* was suspended from March 13, 2020 to December 11, 2020 due to the COVID-19 pandemic.

The resumption was only partial, providing intercity transportation from Winnipeg to Vancouver. VIA Rail remains committed to a full recovery of its long-distance service for Western Canada and will continue to work closely with public health authorities as well as the federal and provincial governments to ensure this occurs as quickly as possible.

The existing service's travel time and low frequency limits opportunity for intercity passengers; and the delays impact the ability to ensure tourists enjoy key sites at the indicated time and for the indicated duration. In addition, the equipment condition is falling behind customer expectations. A new solution to maintain and preserve services and provide Canadians with mobility is required.

#### Reinstatement of the partially suspended peak frequency of the *Canadian*

The current post-2019 schedule requires five train consists to operate the three round-trip Toronto – Vancouver frequencies of the *Canadian*.

With the lengthened schedules of the *Canadian*, VIA Rail is without enough cars to assemble a fifth train consist to reinstate the partially suspended peak-season frequency on the *Canadian* between Toronto and Edmonton.

Therefore, it is not foreseeable that the partially suspended frequency is reinstated once full services return post COVID-19.

#### 3.6.2 Replace the Long-Distance Fleet

A new fleet will be required to support the Long-Distance services. The HEP cars are 65 years old or older and recently subject to unexpected issues. The repair of these issues will provide 15 additional years of life, but any further life extension is not feasible.

If a new fleet is approved, the procurement delay is expected to be approximately ten to fifteen years. Consequently, the current cars and locomotives will require investments, beyond the scope of the Heritage Fleet Modernization program, to ensure their reliability for the duration of their service lives until the transition to a new fleet.

As a result of the limited useful life of its HEP equipment and lengthy procurement delays, VIA Rail will undertake analysis to support the replacement of its Long-Distance equipment and to protect the safety and integrity of that equipment until a replacement fleet arrives.

#### 3.6.3 Explore improving services and access a strategic and rapidly growing market in the Quebec-Windsor Corridor

The South West Ontario (SWO) market is not currently addressed by a major intercity passenger rail initiative, due to infrastructure constraints and the presently suspended Government of Ontario High Speed Rail program.

Given the Ontario Provincial Government's suspension of capital funding for its High Speed Rail initiative, coupled with its intention to actively explore other options, including opportunities to enhance train speeds and service levels on existing railway corridors, it is particularly timely to address a key market that remains underserved. SWO's current population is 4.4 million and is expected to grow 34% between 2020 and 2040, which represents a significant and timely opportunity.

Alternate transportation investment options are required. Passenger rail has a natural competitive advantage in SWO, given the highly congested infrastructure and the relatively short distances which are optimal for intercity passenger rail rather than air travel. Investments in infrastructure acquisition together with additional frequencies in SWO would address market demand in a populous and rapidly growing market.

VIA Rail will explore expanding services in SWO with particular emphasis on the Toronto – Kitchener, Toronto – London markets. A VIA Rail acquisition of infrastructure between Kitchener and London when coupled with the Metrolinx owned Toronto to Kitchener segment, would create a passenger focused corridor to serve this market, similar to the HFR initiative. VIA Rail will also explore furthering its partnership with Metrolinx, mutually benefiting both.

### **3.7 Expanding our accessibility, environmental, social and governance commitments.**

#### **3.7.1 Preparing a Three-Year Accessibility Plan**

As part of its effort to ensure a barrier free Canada, VIA Rail adopted a Universal Accessibility Policy in 2020 to guide its strategy and develop initiatives to ensure compliance to the Accessible Canada Act. In accordance with the act, a three-year plan covering the period from 2021 to 2023 was designed. The accessibility plan has been developed to implement initiatives across several focus areas such as: built environment, communications and information technologies, procurement, and design & delivery of services programs.

To improve the efficacy of these efforts, VIA Rail has engaged partners, advocacy groups and Accessible Standards Canada in regular and ongoing consultations. These participants have already expressed support for the initial design of the three-year accessibility plan.

#### **Expected Results**

- Hold multiple consultations pertaining to major accessibility projects.
- Obtain significant feed back and representation from advocacy groups to support the plan's execution.

#### **3.7.2 Establishing Areas of Focus for the Environmental, Social and Governance Action Plan**

VIA Rail is committed to climate action and sustainable development, and it intends to be recognized as an engaged corporate citizen and a reference in sustainable development in Canada.

In 2021, a detailed Sustainability Plan with clear areas of focus will be implemented. The plan will focus on six priorities covering environmental, social and governance spheres. The actions would see VIA Rail further its performance in environmental resource management, climate action, employee mobilization, community engagement, responsible sourcing and reporting (refer to Annex 6 for detailed priorities).

Though it is outside the scope of the current planning period, VIA Rail's long-term ambition for the support of sustainable development includes greater intermodality and progress towards electrification.

#### **Expected Results**

- Reduce fuel consumption and emissions across all operations.

## 4. FINANCIAL OVERVIEW

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The segmentation of VIA Rail into market-based profit & loss centres, along with the shift to a customer-centric focus in 2014, brought with it the overarching aspiration to pursue strategies that will not negatively impact the corporation's bottom line. Financially, the company has stretched itself in the past few years to grow revenues, contain the operating deficit and the reliance on government funding, and improve of the cost-recovery ratio. However, due to the blockades and to the COVID-19 crises in 2020, the financial performance of VIA Rail was significantly affected, impacting both top-line and bottom-line results. The numbers presented below therefore demonstrate significant growth figures when comparing 2020 to 2025, but are in line with previously presented forecasts in previous corporate plans, as we expect a return to service to pre-pandemic levels in the next few years.

### 4.1 Overview of the 2021-2025 Financial Plan

#### Revenues

Total variable revenues are forecast to exceed pre-Covid-19 pandemic levels over the Plan period (from \$75.6 million in 2020 to \$512.8 million in 2025). This equates to a compounded average annual growth of 79.1% for the first 3 years (2021- 2023) and a compounded average annual growth of 8.6% for the last 2 years of the plan (2024-2025) due mainly to 2% inflation and revenue management growth. This assumption is made as we expect that passengers will be back on VIA Rail trains following the end of the pandemic and by the end of 2022. Revenues are also forecast to grow towards the end of the plan period with the integration of the new fleet on the Corridor.

Semi-variable and fixed revenues are forecast to exceed pre-Covid-19 pandemic levels (from \$16.3 million in 2020 to \$26.8 million in 2025) over the Plan period. This equates to a compounded average annual growth of 16.1% for the first 3 years (2021- 2023) and a compounded average annual growth of 2.5% for the last 2 years of the plan (2024-2025), due mainly to the gated Return to Service strategy and inflation. 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 was an example of the company's ability to aggressively manage its operating costs in light of the impacts of the pandemic on its business while progressing on key strategic programs such as the corridor fleet replacement project and the new reservation system initiative. The company will continue to focus on continuous improvements during the life of the corporate plan.

For 2020, VIA Rail significantly reduced its expenses to face the Covid-19 pandemic and to ensure that the Corporation disposes of sufficient funds to adapt its service offering in a constantly evolving context. The Corporation has implemented Cost Containment Strategies in order to reduce its expenses. Estimates for the following years take into consideration the gradual resumption of all services, leading to an increase of expenses over the following years to pre-pandemic levels. It is to be noted that the Corporation will continue to have difficulties offsetting some expenses, such as compensation increases and inflation within the Plan period, even though the Corporation strives to implement productivity measures. Certain expenses are tied to agreements that include provisions for price escalation based on inflation indices. VIA Rail expects predictability in these expenses due to the signing of long-term labour agreements with its main unions.

As such, variable expenses are expected to return to approximately pre-pandemic levels over the Plan period (from \$219.3 million in 2020 to \$412.6 million in 2025). This equates to a compounded average annual growth of 20.0% for the first 3 years (2021- 2023) and a compounded average annual growth of 4.3% for the last 2 years of the plan (2024-2025)

Semi-variable and fixed expenses are forecast to return to approximately pre-pandemic levels (from \$269.4 million to \$405.4 million) over the Plan period. This equates to a compounded average annual growth of 9.8% for the first 3 years (2021- 2023) and a compounded average annual growth of 6.7% for the last 2 years of the plan (2024-2025), due mainly to the gated Return to Service strategy and inflation. 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 that will enable levels to exceed those prior to the pandemic (from \$69.9 million to \$431.6 million) over the Plan period. This equates to a compounded average annual growth of 72.3% for the first 3 years (2021- 2023) and a compounded average annual growth of 9.9% for the last 2 years of the plan (2024-2025), which reflects the ability to quickly ramp up VIA Rail's service offering to Canadians as the situation gets back to normal. The arrival of the new fleet starting in 2022, will allow VIA Rail to increase in ridership and therefore increase its revenues. Growth is however restricted by the previously discussed combination of limited frequencies, increasing trip times, and deteriorating OTP. For reference purposes, variable revenues for the Corridor were of \$313.6 million in 2019.

##### Variable Expenses

The Corridor is forecast to have variable expenses growth that will lead levels to return approximately to those prior to the pandemic (from \$152.4 million to \$274.2 million) over the Plan period. This equates to a compounded average annual growth of 17.9% for the first 3 years (2021- 2023) and a compounded average annual growth of 4.8% for the last 2 years of the plan (2024-2025), due mainly to the gradual service resumption to pre-pandemic levels, as well as increases in salaries and inflation. For reference purposes, variable expenses for the Corridor were of \$231.4 million in 2019.

#### 4.1.2 The Canadian

##### Variable Revenues

The *Canadian* is forecast to have variable revenue growth that will enable levels to exceed those prior to the pandemic (from \$3.4 million to \$61.2 million) over the Plan period. This equates to a compounded average annual growth of 158.7% for the first 3 years (2021-2023) and a compounded average annual growth of 2.2% for the last 2 years of the plan (2024-2025). It is to be noted that The *Canadian* was suspended from March 13 to December 10, 2020. The *Canadian* mostly relies on tourism from foreign countries, which was also brought to a halt in 2020. In the previous years, the adverse impact of poor OTP, long trip time delays, and uncertain arrival times were offset by an increase in revenue. 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 that will lead levels to return approximately to those prior to the pandemic (from \$23.4 million to \$76.2 million) over the Plan period. This equates to a compounded average annual growth of 45.0% for the first 3 years (2021- 2023) and a compounded average annual growth of 3.2% for the last 2 years of the plan (2024-2025), 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 that will enable levels to exceed those prior to the pandemic (from \$1.2 million to \$13.8 million) over the Plan period. The revenue growth can be explained by the fact that the *Ocean* service was suspended for most of the year due to the pandemic and still remains suspended to this day. This equates to a compounded average annual growth of 122.3% for the first 3 years (2021- 2023) and a compounded average annual growth of 3.4% for the last 2 years of the plan (2024-2025), mainly due to the expected resumption of service, GDP growth and inflation.

##### Variable Expenses

The *Ocean* is forecast to have variable expenses growth that will lead levels to return approximately to those prior to the pandemic (from \$13.5 million to \$27.7 million) over the Plan period. This equates to a compounded average annual growth of 24.4% for the first 3 years (2021- 2023) and a compounded average annual growth of 3.4% for the last 2 years of the plan (2024-2025), 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 that will enable levels to exceed those prior to the pandemic (from \$1.2 million to \$6.2 million) over the Plan period. This equates to a compounded average annual growth of 69.2% for the first 3 years (2021- 2023) and a compounded average annual growth of 3.0% for the last 2 years of the plan (2024-2025) 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 that will lead levels to return approximately to those prior to the pandemic (from \$30.0 million to \$34.5 million) over the Plan period. This equates to a compounded average annual growth of 2.2% for the first 3 years (2021- 2023) and a compounded average annual growth of 3.6% for the last 2 years of the plan (2024-2025) due mainly to salary increase and inflation.

#### 4.1.5 Capital Investment Plan and Ongoing Capital

With the 2020 off-cycle funding approved in May by Treasury Board, VIA Rail's capital requirements are funded until 2024. For 2025, only \$27.3 million is funded which includes \$2.3 million for the fleet renewal program while \$75M remain unfunded.

##### Equipment program - Corridor

The corridor fleet includes 97 LRC cars, 33 HEP2 cars, 15 Renaissance cars, 7 HEP1 cars and 45 locomotives.

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

Renaissance and LRC cars will be progressively retired until the completion of the renewal program. In addition, certain surplus equipment will be disposed of through a Memorandum of Understanding with Public Services and Procurement Canada.

##### Non-Corridor fleet renewal program

Fleet operating in non-Corridor services include 197 HEP, 6 RDC and 38 Renaissance cars, as well as 28 F40 Locomotives.

VIA Rail recognizes that despite the inherent quality of construction and intrinsic longevity of the stainless steel used, it is no longer reasonable to expect an extended service life from the Budd manufactured rolling stock equipment (HEP cars) that is approaching or has exceeded 70 years of age.

At some point the effectiveness, usefulness and maintenance costs of any product will reach a point where replacement must be considered and unfortunately this also includes the HEP cars.

The locomotives, although they meet requirements for the year they were manufactured, do not meet latest environmental requirements for emissions and it is not possible to upgrade them to current standards.

To that end, VIA Rail will explore the replacement of its Long-Distance and Regional fleet.

The 5-year program (\$152.0M) mainly includes the Heritage program.

##### Station program

VIA Rail has an old heritage. The median age of its stations is 103 years old. Few investments have been made in the stations since VIA Rail 's inception 40 years ago, especially in stations outside of the Corridor. This lack of investment contributed to the deterioration of the condition of the buildings. Based on criteria presented by Public Works and Government Services Canada (PWGSC) regarding Strategic Asset Planning, VIA Rail performed a survey of some of



its buildings to establish a long-term planning horizon for the maintenance and life cycle planning of these assets. VIA has estimated that the asset maintenance deficit of its stations is approximately 20%.

VIA Rail owns 34 stations in the Corridor and 68 stations outside of the Corridor. VIA Rail is also a tenant in 11 stations in the Corridor and 24 stations outside of the Corridor.

The 5-year program (\$109.3M) includes the upgrade and renovation of the Ottawa, Kingston and London stations as well as the replacement of platforms and roofs.

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 (\$197.2M) includes the grade crossings project, the HFR interoperability project, the multi year track and bridge program.

### **Information technology program**

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

The 5-year program (\$154.6M) includes an investment in a new reservation system and various upgrade to current systems.

### **Maintenance Centre program**

VIA Rail owns four maintenance centres located in Montreal, Toronto, Winnipeg and Vancouver

The 5-year program (\$76.8M) includes investment to maintain the building and equipment in a state of good repair at the 4 locations.

## **4.2 Financial Operating Performance – 2019 to 2020**

### **4.2.1 Corridor**

#### **Variable Revenues**

In 2020, 1.11 million passengers travelled in the Corridor, representing 96.4% of all VIA Rail's traffic and accounted for 92.4% of passenger revenues. Following a decrease in ridership from 4.9 million in 2019 to 1.11 in 2020, revenues decreased by \$243.8 million, from \$313.6 in 2019 to \$69.9 million in 2020 (-77.7%).

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

#### **Variable Expenses**

For 2020, the Corridor variable expenses have decreased by \$79.0 million, from \$231.4 million in 2019 to \$152.4 million in 2020 (-34.1%). The decrease is mostly due to the reduction of service during the Covid-19 pandemic.

#### **Contribution and Efficiency**

The Corridor's variable contribution has decreased by \$164.8 million in 2020, from \$82.2 million in 2019 to -\$82.5 million in 2020. The variable operating ratio (variable revenue/variable expenses) has deteriorated to 45.9% in 2020, from 135.5% in 2019.

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

##### **Variable Revenues**

In 2020, the *Canadian's* variable revenues have declined by \$52.8 million, from \$56.2 million in 2019 to \$3.4 million in 2020 (-94.0%), primarily due to the suspension of the service resulting from the pandemic. The *Canadian* gradually returned to service on December 11, 2020 with a modified route, linking Winnipeg and Vancouver.

##### **Variable Expenses**

The *Canadian's* variable expenses have decreased by \$39.6 million, from \$63.1 million in 2019 to \$23.4 million in 2020 (-62.8%), due to the suspension of the service resulting from the pandemic.

##### **Contribution and Efficiency**

The *Canadian's* variable contribution has deteriorated, increasing by -\$13.2 million from -\$6.9 million in 2019 to -\$20.1 million in 2020. The variable operating ratio is fell significantly to 14.4% in 2020 from 89.9% in 2019.

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

##### **Variable Revenues**

In 2020, the *Ocean's* variable revenues have decreased by \$10.9 million, from \$12 million in 2019 to \$1.2 million in 2020 (-90.3%). primarily due to the suspension of The *Ocean* since the beginning of the pandemic.

##### **Variable Expenses**

In 2020, the *Ocean's* variable expenses have decreased by \$10.1 million, from \$23.5 million in 2019 to \$13.5 million in 2020 (-42.8%), due to the suspension of The *Ocean* since the beginning of the pandemic.

##### **Contribution and Efficiency**

The *Ocean's* variable deficit has deteriorated moderately, increasing by \$0.8 million from -\$11.5 million in 2019 to -\$12.3 million in 2020. The variable operating ratio fell to 8.7% in 2020 from 51.2% in 2019.

#### **4.2.4 Regional Services**

##### **Variable Revenues**

In 2020, the Regional services' variable revenues have decreased by \$3.6 million, from \$4.8 million in 2019 to \$1.2 million in 2020 (-75.0%). This significant decrease is mainly due to the reduction of frequencies caused by the decrease in demand during the pandemic.

##### **Variable Expenses**

In 2020, the Regional services' variable expenses have increased by \$0.7 million, from \$29.3 million in 2019 to \$30.0 million in 2020 (+2.6%). The Corporation has decided to maintain the salary of its critical employees at 70% in order to prevent them from leaving, as it is a lengthy process to complete their training.

##### **Contribution and Efficiency**

The Regional services' variable deficit has deteriorated, increasing by \$4.3 million from -\$24.5 million in 2019 to -\$28.8 million in 2020. The variable operating ratio fell from 16.4% in 2019 to 4.0% in 2020.

### **4.3 Other Revenues and Expenses**

#### **4.3.1 Travel Policy Guidelines and Reporting**

VIA Rail forecast an increase in Travel and Entertainment expenses, from \$0.4 million in 2020 to \$1.7 million in 2025. 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, these expenses are forecast to grow at an average annual rate of 2.0% starting in 2021.

#### **4.4 Previous capital programs – 2014 to 2020**

##### **2014 Federal Government Infrastructure Initiatives**

A total of \$102 million in capital funding has been earmarked for VIA Rail: \$18.6 million for Government Fiscal Year 2015-2016 and \$83.4 million for Government Fiscal Year 2017-2018. This funding targets infrastructure, safety, and trip time improvements in the Ottawa–Montréal rail corridor. \$15 million of this funding was assigned for grade separation (elimination of level crossings) at Barrhaven, Ottawa, and was in a frozen allotment, which subsequently lapsed.

##### **2016 Federal Budget program**

The Federal Budget 2016 provided \$37.9 million for improvements to VIA Rail's maintenance centres and stations, including upgrades to electrical and mechanical systems and roof upgrades, for safety upgrades at grade crossings on tracks owned by VIA Rail, and for investments in improved security at VIA Rail's stations. This program was completed during FY2018-2019.

##### **2017 Federal Budget program**

The Federal Budget 2017 allocated \$99.9 million for VIA Rail's share of CN's grade crossing compliance project. The Federal Budget 2017 also provided \$324.4 million for on going capital and equipment projects. As of December 2020, VIA Rail spent 74% of this envelop; leaving \$84.9 million to be spent 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 2020, VIA Rail spent \$328.7M for this important project.

#### **4.5 Covid-19 Relief funding Fall Economic statement 2020**

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

For Government Fiscal Year 2020-2021, VIA Rail estimates that it will exceed the target, achieving a cost reduction of more than 76% compared to the revenue shortfall. Therefore, the required funding for Government Fiscal Year 2020-2021 from the additional approved funding amounted to \$92.5 million and should leave \$95M of unused funds.

#### **4.6 2020 Off Cycle Funding Program**

On May 26, 2020, Treasury Board approved the inclusion of an item in the Supplementary Estimates to increase VIA Rail Canada Inc.'s reference levels for the next five years of the following amounts:

- Government Fiscal Year 2020-21: \$264,608,900;
- Government Fiscal Year 2021-22: \$278,099,826;
- Government Fiscal Year 2022-23: \$261,796,200;
- Government Fiscal Year 2023-24: \$253,451,400; and
- Government Fiscal Year 2024-25: 258,197,000.

The increase of the reference levels will allow for the realization of various capital projects in Information Technology, Stations, Equipment, infrastructure and Maintenance Centre program over the Plan period.

#### 4.7 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 Minister of Transport Mandate Letter of December 13, 2019, that was communicated to the President and Chief Executive Officer by the Honourable Marc Garneau, Minister of Transport. Continues

The mandate includes the instruction: "In your capacity as Minister responsible for VIA Rail, work with the Minister of Infrastructure and Communities to create high frequency rail for the Toronto-Quebec City corridor;"

## ANNEX 2. CORPORATE GOVERNANCE STRUCTURE

### Board of Directors

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

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

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

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

In April of 2017, Ms. Françoise Bertrand was appointed as Chairperson of the Board of Directors for a five-year term. In order to oversee strategic direction and management of the Corporation, as well as each of the four committees, the Board of Directors meet at least four times annually (once every quarter), with other meetings scheduled as needed. Currently, meetings for 2021 are scheduled for February 16 and 26; March 22, 23 and 24; May 26, 27 and 28; August 23, 24 and 25 and November 17, 18 and 19.

Ms. Cynthia Garneau was appointed President and CEO in May 2019 for a five-year term. Along with VIA Rail's Executive team, she is responsible for directing the operations of the Corporation.

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

The table below presents the composition of the Board of Directors as of February 2021, as well as details regarding the Directors.

<b>VIA Rail Canada – Board of Directors</b>					
<b>Name</b>	<b>Location</b>	<b>Appointment date</b>	<b>Expiration date of the term</b>	<b>Term length</b>	<b>Term</b>
<b>Françoise Bertrand</b>	Montreal (QC)	April 12, 2017	April 11, 2022	5 years	First
<b>Cynthia Garneau</b>	Laval (QC)	May 9, 2019	May 8, 2024	5 years	First
<b>Kathy Baig</b>	Laval (QC)	June 21, 2017	June 20, 2021	4 years	First
<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>	Montreal (QC)	June 21, 2017	June 20, 2021	4 years	First
<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. 29, 2021	4+3+1 years	Third
<b>Glenn Rainbird</b>	Belleville (ON)	June 21, 2017	June 20, 2021	4 years	First
<b>Gail Stephens</b>	Victoria (BC)	June 21, 2017	June 20, 2021	4 years	First
<b>Kenneth Tan</b>	Richmond (BC)	June 21, 2017	Sept. 29, 2022	3+2 years	Second
<b>Genevieve Tanguay</b>	Montreal (QC)	August 15, 2017	August 14, 2021	4 years	First
<b>Vianne Timmons</b>	(Regina (SK)	March 28, 2019	March 27, 2023	4 years	First

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

## Committees of the Board of Directors

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

### (i) The Human Resources Committee is responsible of overseeing and monitoring the following:

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

The members of the Human Resources Committee are as follows:

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

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

1. The development and implementation of a practical and achievable strategy to transform passenger rail service for Canadians in the Quebec City – Windsor Corridor by connecting more communities with more departures, improved schedules, shorter travel times, better on-time performance and new trains delivered through the Corridor Fleet Renewal Project (the "HFR Project");
2. The Corporation's communication strategy to ensure that it supports the strategic and commercial objectives of the Corporation and to maintain positive and productive relationships with all the Corporation's stakeholders;
3. The Corporation's commercial and socio-economic value proposition statement in support of its strategic objectives;
4. The standards of integrity and behaviour adopted by the Corporation;
5. Key corporate reports including the Corporation's Annual and Quarterly Reports along with the Sustainable Mobility Reports;
6. The risk identification, evaluation and treatment related to the topics listed above.

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

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

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

1. The major projects & programs identified as such by the Committee;
2. The acquisition and conditioning of the new fleet of trains for the Quebec City & the refurbishment of the Heritage fleet
3. The Corporation's policies, practices and procedures regarding management of major projects & programs;
4. The monitoring of capital spending;
5. 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;
- Geneviève Tanguay;
- Miranda Erickson;
- Kenneth Tan;
- Kathy Baig; and
- Jane Mowat.

**(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 financial components of the five-year Corporate Plans along with the annual operating and capital budgets and their alignment with the strategic orientations approved by the Board of Directors;
3. The Corporation's internal control practices, including the internal audit process;
4. The Corporation's external audit process, including any special examination launched by the Corporation's external auditors;
5. The legal and regulatory compliance framework applicable to the Corporation;
6. The pension plans and supplemental retirement plans investment performances, policies and related matters thereto; and
7. The risk identification, evaluation and treatment related to each topic listed above.

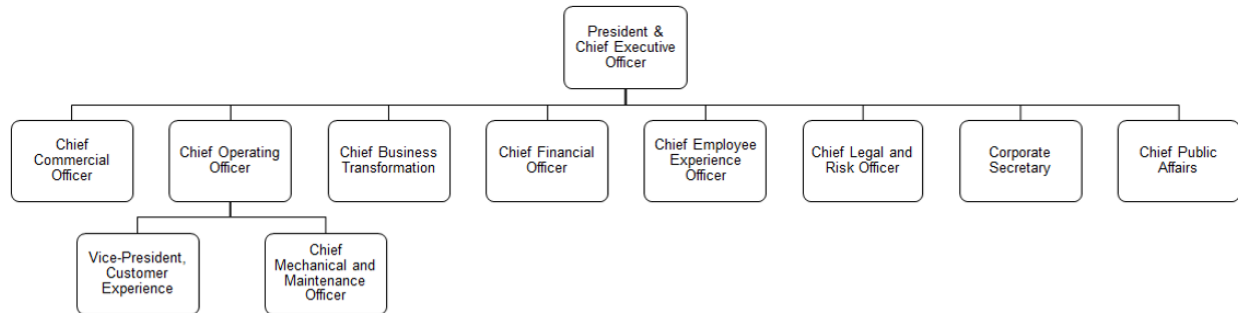
The members of the Audit & Pension Investment Committee are as follows:

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



### 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 for 2019

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

2019 Executive Compensation Range Disclosure <sup>1</sup>		
Cash Compensation <sup>2</sup>	President and CEO	Officers
Base Salary Range	\$271,000 - \$318,800	\$189,805 – \$309,000
Incentive Program Range	13% - 26%	35% - 50%
Total Compensation Range per Calendar Year	\$306,230 – \$401,688	\$256,237 – \$463,500
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, 2019, Executives were: President and Chief Executive Officer, Chief Commercial Officer, Chief Transportation and Safety Officer, Chief Asset Management Officer, Chief Financial Officer, Chief Mechanical and Maintenance Officer, Chief Business Transformation Officer, Chief Human Resources, and Chief Legal & Risk Officer.
- 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**

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## ANNEX 4. RISK AND RISK RESPONSES

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

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

A full review of the risks facing VIA Rail, with of course particular focus through the lens of the pandemic crisis, is currently undergoing. VIA Rail is using a three-tier approach for risks where Strategic Risks are deemed material enough to be discussed at the Board of Directors' level on a quarterly basis, Committee Risks are discussed within the various Committees of the Board of Directors each quarter and Operational Risks are kept at management level and discussed yearly at the Board of Director level when sufficiently material. In 2020, two new risk categories were added which are Service Offering and Severe Interruption. Service Offering addresses both VIA's mandate as well as its capacity to deliver said mandate while the Severe Interruption risk category covers significant disturbances such as the inability to operate due to third party actions or a pandemic.

These risks have been linked to the various Strategic Initiatives that are being pursued by the Corporation in order to assess which are the most interconnected and as such susceptible to impact the implementation of the organization's strategy. Although VIA Rail is managing all of the above key risks and their components through a detailed risk register which includes controls and action plans, the focus of the current Corporate Plan risk section is set on giving an overview of the Safety, Service Offering, Severe Interruption and Strategy risks.

### **Safety of Passengers, Employees and the Public**

The safety and security of passengers, employees, and the public remain VIA Rail's primary concern. Incidents that are part of railway operations can have significant human, financial and reputational impacts and must be addressed thoroughly. In order to reduce the Collisions and Derailment risks, VIA Rail remains an important participant in the Enhanced Train Control project, acting alongside other players of the industry to advocate the best applicable solution to improve railway safety where it operates. VIA Rail is also leveraging initiatives such as developing its own track standards, the use of smart technologies and adapting its infrastructure to climate changes through enhanced hydrological studies and the use of satellite imagery to make its operation safer. As the condition of the rolling stock is also fundamental to ensure a safe operation, the Corporation completed an in-depth inspection program of its Heritage fleet and has launched a large-scale repair program to ensure the safety of its passenger and employees. With the launch of an Insider Threat Program as well as work being conducted on the firearm control program for the public and third parties, VIA is also taking steps in order to mitigate the Third Party Malicious Act risk.

### **Service Offering**

In order to provide the best possible services to its customers while supporting its shareholder's objectives, VIA Rail must ensure to stay effective and efficient. Infrastructure Access remains a significant challenge for a railway operator which is mostly using third party track and who must deal with the increased complexity to operate in major cities which are transforming their mobility offering, such as Toronto and Montreal. The HFR project and sustained negotiations with partners such as GO Transit and Quebec's Caisse de Dépôt et Placement are essential to maintain and improve track access which in turn results in services that are more adapted to the customer.

The other key constraint for VIA's service offering is Equipment Availability. Through its fleet acquisition project and its refurbishment program, VIA Rail is taking the necessary steps to protect its capacity in the Corridor. An overall capital asset management program and improved maintenance protocols are also being deployed which will help prioritize efforts and resources in order to maintain the Rolling Stock capacity.

Resumption of services outside of the Corridor, such as the Long-Distance segments and the Gaspé line, remain key objectives for the Corporation and steps it is planning to ensure its relevance for Canadians. The HFR project would as well increase the relevance of the Corporation within the Corridor, providing a safe, smart and thoughtful way of travelling in an era of increasing environmental conscientiousness. The financing model which would be selected for the realization of the HFR project could also have deep implications on the future of VIA Rail as an integrated mobility provider. The participation of VIA Rail to the Joint Project Office, as well as representations from the Board of Directors and VIA Rail's executives are the main mitigation to ensure this risk does not jeopardize VIA's ability to deliver its mandate.

### **Severe Interruption**

VIA Rail has faced two severe crises in 2020, with the blockades that restricted mobility on the network and the COVID pandemic which required a complete review of its operating model. Other situations could lead to severe interruptions, for example third party malicious acts or significant IT incidents. Such a crisis introduces multiple risks such as logistical challenges, impacts on the Corporation's brand and evolving customer's priorities influencing ridership. At the same time, some pre-existing factors are increasing the aftermaths of such severe interruptions. For example, the current limits of the existing infrastructure and assets, the difficulty to take decisions in an agile fashion and competing priorities for the Government funding can result in a lower ability to react to such crisis. The main mitigations measures for this risk are the launch of a Corporate Resilience program, the implementation of a Vendor Management System and the various modernization initiatives of the Corporation which are all opportunities improve VIA Rail's ability to react to any types of interruptions.

More specific to COVID, VIA Rail has developed a governance structure to adapt to the situation and implement controls to ensure the safety of its operation. Controls like mandatory health checks, enhanced sanitization, improvement to the ventilation systems, mandatory protective equipment such as masks and support to physical distancing through signage and lower densities are some of the elements that are currently active. To alleviate the commercial impacts of the crisis, VIA is deploying its Business Resumption Plan while following the guidance of Transport Canada and Public Health Authorities. Parameters such as frequencies, on-board density and the type of service being offered are carefully analyzed in real time. At the same time, critical projects and vital operations like training are maintained in order not to compromise the long-term capabilities of the Corporation.

### **Resource Capacity & Industry Disruption**

VIA Rail recognizes that its Execution Capacity remains a very significant risk, in a context where it must maintain its operations, while delivering its regular and transformational projects and dealing with the COVID crisis. The CAPEX Capacity Planning initiative and the OPEX Prioritization program are the main treatment measures that are being deployed to address this risk by applying rigor and focus on the initiatives which are most critical for the execution of the vision and strategy.

VIA Rail also faces multiple potential industry disruptors which could impact its relevance with travellers. In the pandemic context and considering the insights which are gathered by monitoring the overall environment, these existential risks have not progressed significantly in 2020. Nevertheless, by pursuing its modernization objectives and improving the customer journey, VIA Rail will deliver better services which will in turn reduce the required subsidies and maintain its relevance in this competitive environment.

### **Infrastructure Availability, Reliability and Quality**

The availability, reliability and quality of the rail infrastructure used by VIA Rail has a negative impact on OTP, trip time and the ability to add frequencies or have schedule flexibility to effectively meet market demand, influencing passenger satisfaction, their propensity to take the train and, ultimately the number of passengers and revenues earned. The most critical element of VIA Rail strategy to tackle this risk in the Corridor is the High Frequency Rail Project, which would be a game changer in intercity mobility. VIA Rail will fully support the Joint Project Office created to provide options to the Government of Canada regarding its final investment decision for the project. By leveraging its three-year capital appropriation, VIA Rail was able to improve the management of its assets. It is also working on a Capital Asset Management program in order to better plan its long-term strategy for its rolling stock, buildings and railway infrastructure.

Over the next few years VIA Rail, as a building and rail infrastructure owner will face gradual impacts from climate change. This could include changes in precipitation regime which may affect bridge integrity, heat waves which could impact the track and passenger comfort in various buildings as well as an increase in abnormal weather events that may impact operations. While the various inspections and maintenance programs provide comfort regarding short-term changes which could impact rail infrastructure, a broader strategy was required. As such, VIA Rail launched a climate change resilience initiative in order to better foresee and evaluate the challenges linked to this issue. The outcome of this initiative will be to provide an actionable plan that will increase the Corporation's readiness to face global warming.

The growing segmentation of rail ownership also increases the complexity of access (e.g. Metrolinx acquisitions around Union Station in Toronto and CDPQ's REM project in Central Station), leading VIA Rail to believe that dedicated track access for passenger rail is the better long-term solution. The implementation of this solution would virtually eliminate the residual risk of the risk components related to this risk category for the Corridor.

### **Equipment Availability, Reliability and Quality**

The availability, reliability, and quality of VIA Rail's equipment may have a positive or negative impact on the satisfaction of passengers, their propensity to take the train and, eventually, on the number of VIA Rail passengers served and revenues earned. As the average age of VIA Rail's fleet keeps increasing, maintenance costs as well as equipment incidents could rise, leading to service disruption. As equipment incidents are especially high in winter, VIA Rail deployed a Winter Plan with specific weather events and temperature triggers associated to response levels. This plan

will contribute in mitigating this risk, especially in the medium to long term context of climate change. As well, as VIA Rail's current corridor fleet is heterogeneous, this creates significant product and service challenges as customers have service expectations that cannot be met by VIA Rail's current fleet families (i.e. HEP and Renaissance).

One of the risks that VIA Rail could face is delays to the Fleet Renewal project and / or the Heritage Program, which could be combined with an accelerated retirement calendar for the Renaissance, LRC or HEP fleets. This could impact VIA Rail's capacity to deliver services. This risk is mitigated by a detailed inspection program, as well as the application of disciplined project management for the various initiatives such as the Fleet Renewal and Heritage Fleet Programs.

### **Reputation**

VIA Rail has a high level of visibility with the public. The decisions and strategic initiatives of the company may have a positive or negative impact on the perceptions of Canadians and communities across the country, their propensity to take the train and, eventually on the number of passengers served and revenues earned. The acceptability of VIA Rail's HFR project represents a major part of this risk. VIA Rail has conducted extensive public outreach with key stakeholders at the federal, provincial and municipal levels towards informing these groups of the benefits of VIA Rail's HFR plan and to obtain their perspective and feedback.

### **Strategic Resource Capacity & Industry Disruption**

VIA Rail recognizes that vigilance and prudent resource planning will be required to carry on current operations while executing on multiple major strategies and modernization projects to transform the Corporation and the services it delivers to Canadians. VIA Rail's strategy to mitigate this risk of not having the execution capacity to achieve these objectives is first and foremost to clearly define priorities and communicate them accordingly. It is also to change the organization's culture by fostering a more collaborative approach and enhance its human capital. Revamped on-boarding and leadership training, the coaching in action program, the use of better collaboration tools to increase productivity and a more intelligent use of methods such as business intelligence and advanced analytics are all ways VIA Rail is ensuring it will be able to support its employees in achieving the goals of the Corporation.

VIA Rail also faces multiple potential industry disruptors which could impact the relevance of its services to travellers. Currently, the two most likely actors are the rise of autonomous vehicles as well as a potential Montreal to Toronto high speed link (i.e. Hyperloop). While the time horizon where those technologies could be fully implemented ranges from 5 to 20 years, the Corporation will be monitoring the development of these technologies and assessing their potential as possible partners in a door-to-door transportation ecosystem. The Corporation is also taking the necessary steps in order to increase its current value proposition. The modernization of the rolling stock pool as well as enhancement initiatives such as the new reservation system and the renewed food & beverage offering will also contribute in the realization of the Corporation's vision: to be the smarter way to move people.

### **Insufficient Operating Funding**

Without sufficient and timely funding, VIA Rail would be obliged to make drastic cuts, which is a significant business and reputational risk, exacerbated by layoffs (detrimental to employee contribution and loss of critical competencies), significant restructuring costs, including employment security and severance payments, and start-up costs when the service resumes.

### **Insufficient Funding of Pension Plan Liabilities**

Notwithstanding recent increases, the long period of low interest rates used to discount pension liabilities continues to put pressure on the pension plans, which forces continued employer contributions and consistently threatens plan sustainability. The level of reserves needed in the Plan to meet the projected payouts is determined through audits conducted by the Office of the Superintendent of Financial Institutions and by federal legislation, namely the *Pension Benefits Standards Act*. VIA Rail is legally required to comply with the results of the audit. As interest rates rise, mandatory three-year smoothing will slow the improvement in the solvency deficit. The current situation still poses a risk, which VIA Rail is mitigating through a series of measures.

### **Capital Funding**

VIA Rail has been provided with multi-year funding for FY 2021-2022 through to FY 2024-2025. This funding is sufficient to keep VIA Rail's assets in a state of good repair, not for any major replacement or acquisition program, whether of equipment or infrastructure.

### **Corridor Fleet Renewal – Risk Management**

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

This individual is responsible for the risk management process, taking a lead role in implementing and facilitating the process, assessing and analyzing risks, reporting on risk information and imbedding a risk management culture within

the Program. As well the Program Risk Manager is responsible to actively identify business and program wide risks and to ensure adequate risk communication across the Program.

Risk management roles and responsibilities are also assigned to:

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

The key risks (Program and Project) being monitored include:

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

## ANNEX 5. COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

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### Recent Legislative Changes

#### (1) Access to Information

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

Following the amendment of the *Access to Information Act* into two parts back in June 2019, VIA Rail is now proactively disclosing 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> and continues to publish its ATIP annual report on its website or on open.canada.ca 30 days after it is tabled in Parliament.

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

#### (2) 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 will, as per the *Accessible Canada Act*:
  - publish accessibility plans every three years, 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 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.

Compliance with the majority of the provisions will be required within one year of the Regulations being registered, which was June 25, 2019, with certain exceptions noted.

Within two years of the registration of the Regulations, the following requirements must be met:

- Availability of wheelchairs meeting criteria at terminals; and
- Availability of on-board wheelchairs meeting criteria, where applicable;

Within three years of the registration of the Regulations, the following requirements must be met:

- Criteria for boarding lifts, ramps and stairs; and
- Accessibility of self-service kiosks.

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.

To comply with the first phase of legislation, VIA Rail has completed 17 initiatives. Recently, the Ottawa Station Accessibility project was completed, as well as accessibility improvements to the Halifax and Winnipeg Stations. Other initiatives such as accessible counters are forthcoming.

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 our 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.

### (3) **Canada Labour Code**

#### Bill C-86 – Budget Implementation Act (2018)

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

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

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

While applicable to all employees, this change from an operational or financial perspective will affect approximately two-thirds of VIA Rail's work force. These positions are mostly operational, many customer facing, be they on-board our trains or within our stations. Should these employees be absent, a replacement employee will be required to maintain service. This will entail the additional expense of a second employee, possibly at overtime rates called from spare boards. Prior to this provision, most of VIA Rail's unionized work force did not have paid personal or sick days.

### (4) **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.

### (5) **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.

#### (6) 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.

#### (7) Locomotive Voice and Video Recorder Regulations

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

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

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

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

#### 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 we have 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 our 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 our Canadian society.

### **Official Languages Act**

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

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

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

### **Pension Plan Reform Directives**

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

### **Order in Council – Labour**

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

On June 3, 2016, an Order in Council was issued (P.C. 2016-0443) that repealed the requirement for VIA Rail to obtain the Treasury Board's approval of its negotiating mandates with respect to collective agreements. The requirement to obtain Treasury Board approval prior to fixing the terms and conditions of employment for non-unionized employees was however maintained.

## 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.

#### Supporting Diversity Internally

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

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

The company's management team implemented a program to enhance the representation of women at all levels of the company and in non-traditional roles. Some notable accomplishments of the program are: Gold Parity Certification from the Women in Governance organization, a Board of Directors composed of eight women and five men, an executive team near to parity with four women and five men, a rising percent of total workforce that are women (currently 31%).

#### 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. Below are a few examples of partnership activities in which VIA Rail has been or is involved:

- Pursuit of the Canadian Council for Aboriginal Business (CCAB) Progressive Aboriginal Relations Certificate.
- Sponsor of the 2017 Invictus Games Paralympic multi-sport competition.
- Contributed \$2 million worth of tickets to over 1510 community groups. Examples include: Salon immigration, Immigration Quebec, Black Girl's Magazine, Black African Museum, Women Engineering Forum. Also provided transportation to organizations such as Equal Voice, Women in Defense and Security, and the Forum for Young Canadians.
- Partnered with Montreal Pride, Toronto Pride, Jasper Pride and the Diversity & Inclusion Conference in Toronto.
- Supported citizenship ceremonies to celebrate new Canadians and retention programs for International students through partnerships with Montreal and Quebec International.
- Participated in several job fairs targeting designated groups, including: YWCA WorkBC Job fair, Salon de l'immigration et de l'integration au Quebec.

#### 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, 2020

GRI / VIA RAIL INDICATORS		2020	2019	2018	2017	2016
<b>EMPLOYEES</b>						
102-7	Number of active employees at the end of the calendar year	2,312	3,234	3,115	2,899	2,731
405-1	Number of active male employees	1,655	2,149	2,074	1,913	1,865
405-1	% of active male employees	72%	66%	67%	66%	68%
405-1	Number of active female employees	657	1085	1041	986	866
405-1	% of active female employees	28%	34%	33%	34%	32%
102-41	Unionized employees %	68%	77%	78%	81%	81%
401-1	New Hires	140	587	697	545	566
VIA Rail	New Hires form Canadian Armed Forces	3	21	31	22	25
401-1	Employees turnover rate (%)	9%	11%	11%	11%	10%
VIA Rail	Attendance rate (%)	95%	94%	94%	94%	95%
405-1	Number of active Indigenous employees	38	53	54	54	52
405-1	% of active Indigenous employees	2%	2%	2%	2%	2%
405-1	Number of active visible minority employees	317	466	376	350	278
405-1	% of active visible minority employees	14%	13%	12%	11%	10%
405-1	Number of active people with disabilities employees	28	61	60	67	49
405-1	% of active people with disabilities employees	1%	2%	2%	2%	2%
405-1	Number of active veteran employees	56	90	79	50	38
405-1	% of active veterans employees	2%	3%	3%	2%	1%
405-1	Age group over 50 (%)	34%	31%	32%	35%	39%
405-1	Age group between 30-50 (%)	57%	54%	53%	50%	44%
405-1	Age group below 30(%)	9%	15%	16%	15%	17%
102-22	Female board directors (%)	58%	58%	60%	50%	50%

## Sustainable Development and Greening Government Operations

### Greening

As the national passenger rail service, VIA Rail Canada is devoted to meeting its customers' current and future needs in an environmentally sustainable and responsible manner. VIA Rail is continuously striving for a better environment for all Canadians. Since 2009, trains operated by VIA Rail have avoided 271,888 tonnes (tCO<sub>2</sub>e) of GHG emissions as compared to making those trips by car while also reducing GHG emissions intensity by 30% and Criteria Air Contaminants (CAC) intensity by 21%. As part of the new fleet acquisition, the delivery of 32 new bi-directional trainsets that are more efficient and environmentally friendly, will result with four to five times less pollution than with travel by automobile or other modes. These trains will also be 5% more fuel efficient.

Since 2015, emissions disclosure has been done by means of a larger, dedicated sustainability report available on VIA Rail's website, where it accounts for emissions of scopes 1 and 2 and sets a base year for comparison. VIA Rail is aligned with the GHG reporting guidelines of the Centre for Greening Government and the GRI standards of accounting for emissions.

VIA Rail, as it sees itself coming out of the Covid-19 crisis has re-sharpened its focus on sustainability. VIA Rail will continue its focus on reaching concrete environmental, social and governance targets to improve performance, but will also adapt as to how to support, re-evaluate and rethink our operations based on the "new normal" post-pandemic (daily habits changed, teleworking, lower travel frequencies, social distancing, etc.).

VIA Rail has completed a diagnostic of its corporate social responsibility and is developing a Sustainability Plan that will be built to contribute to the objectives and priorities set forth in the Treasury Board of Canada's Greening Government Strategy. The objectives are as follow:

1. Environmental resource management;
2. Climate action;
3. Responsible sourcing;
4. Credibility and recognition;
5. Community engagement; and
6. Employee mobilization;

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

Additional information regarding VIA Rail's commitment to the environment is available on our website.  
<https://corpo.viarail.ca/en/community-engagement/environment>

#### Safety

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

#### **National Parks**

In alignment with the Ministerial Mandate to "Work with VIA Rail to make opportunities to travel to Canada's National Parks more accessible and affordable", VIA Rail and the Parks Canada Agency have initiated discussions regarding the preliminary planning and partnering of various travel opportunities to our National Parks.