



VIA Rail Canada: a new era



corporate overview

As Canada's national passenger rail service, we strive to be the best transportation company in the country – providing exceptional service and building on our market strengths as one of the safest, most efficient and reliable modes of transportation available.

The Honourable
David Collenette,
P.C., M.P.
Minister of Transport, Ottawa

Dear Minister:

In accordance with the provisions of the **Financial Administration Act**, I am pleased to submit VIA Rail Canada Inc.'s annual report for the year ending December 31, 2000.

Marc LeFrançois,
Chairman of the Board

VIA Rail is Canada's national passenger rail service, created by the federal government in 1977. We serve Canada's regions from the Atlantic to the Pacific coasts, and from the Great Lakes to Hudson Bay.

Our mission is to offer safe, high-quality, low-cost passenger rail service.

Our vision is to be the best passenger transportation company in Canada.

We fulfill our mission — and we are achieving our vision — by reducing and controlling costs; by maximizing revenues; by providing exceptional service to our customers; and by building on the market strengths of passenger rail as one of the safest, most efficient and most reliable modes of transportation available.

We operate more than 460 trains weekly on 14,000 kilometres of track, connecting over 450 Canadian communities. With over 2,900 employees, VIA trains carried close to 4 million passengers over more than 942 million miles in 2000.

In Western Canada, VIA's legendary transcontinental service caters mainly to domestic and foreign tourism markets. The **Canadian™**, a train running thrice-weekly between Toronto and Vancouver, was recently named one of the top five "Great Journeys of the World" by National Geographic, and one of the "Best Rail Experiences of the World" by the International Railway Traveler. VIA Rail's exquisite **Silver & Blue™** class is one of the most sought-after vacations anywhere.

In the Quebec City-Windsor Corridor, VIA's trains provide intercity passengers with fast, convenient, comfortable and affordable service, downtown-to-downtown between central Canada's largest business centres. **VIA 1™** service offers first-class amenities, as well as a roomy, hassle-free environment allowing business travellers to work or relax.

In Atlantic Canada, the **Ocean™** runs six times a week between Montreal and Halifax, offering first-class comfort with its friendly **Easterly™** service. The **Chaleur™** makes three trips each week from Montreal through the Gaspé Peninsula.

In rural and remote areas, VIA operates services mandated by the government to meet regional transportation needs.

the year at a glance

The key financial indicators and operating statistics summarize the performance of the corporation. 1990 represents the first year of the current passenger rail network.

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Key financial indicators (in millions of dollars)											
Total operating revenue	240.7	220.6	200.2	190.5	184.5	175.0	176.4	164.2	155.8	150.1	142.8
Cash operating expenses*	404.7	389.1	382.6	386.5	389.8	397.3	438.5	485.2	487.1	478.1	493.3
Capital Expenditures	45.9	10.9	18.3	16.4	20.7	39.6	25.3	11.8	44.7	40.1	31.5
Government funding:											
Operating	164.4	170.0	178.4	196.0	205.3	222.3	262.1	321.0	331.3	328.0	350.3
Reorganization charges	5.9	—	—	16.3	19.2	33.5	30.8	15.3	12.9	24.7	59.7
	170.3	170.0	178.4	212.3	224.5	255.8	292.9	336.3	344.2	352.7	410.0
Capital	45.9	—	—	16.4	20.7	39.6	25.3	11.8	44.7	40.1	31.5
Total Government funding**	216.2	170.0	178.4	228.7	245.2	295.4	318.2	348.1	388.9	392.8	441.5
Key operating statistics											
Revenue/Cash operating expenses ratio (%)*	59.5	56.7	52.3	49.3	47.3	44.0	40.2	33.8	32.0	31.4	28.9
Total passengers carried (in thousands)	3,957	3,757	3,646	3,765	3,666	3,597	3,586	3,570	3,601	3,633	3,536
Total passenger-miles (in millions)	942	931	856	884	892	859	834	820	817	820	785
Government operating funding per passenger-mile (in cents)	18.1	18.3	20.8	24.0	25.2	29.8	35.1	41.0	42.1	43.0	52.2
Train-miles operated (in thousands)	6,621	6,448	6,325	6,482	6,472	6,219	6,524	6,515	6,483	6,247	6,365
Car-miles operated (in thousands)	45,121	43,168	42,068	41,242	40,491	37,100	36,351	35,861	35,993	35,890	35,767
Average passenger load factor (%)	58	59	56	58	59	61	60	59	57	58	57
Average number of passenger-miles per train-mile	142	144	135	136	138	138	128	126	126	131	123
On-time performance (%)	83	84	81	84	84	86	87	90	90	90	88
Number of employees at year-end	2,958	2,909	2,952	2,969	3,000	3,178	3,718	4,131	4,478	4,402	4,525

* Cash operating expenses exclude amortization of capital assets, reorganization charges, pension and employee future benefits.

** Excludes internal funding from the Asset Renewal Fund of 16.5M in 1999 and 33.6M in 1998.

outstanding

performance

people

service

Executive message

VIA continued its extraordinary performance throughout 2000, moving with confidence towards a new future – a strong, revitalized passenger service to meet Canada's transportation needs in the years to come.



Marc LeFrançois,
Chairman of the Board

"VIA's employees have worked hard for more than a decade to make this rebirth of passenger rail possible. It has been a long journey. The people of VIA Rail — the people who maintain the trains, deliver uncompromising service on board and off, and deal hands-on with the thousands of daily, detailed challenges in running a railroad — have made the journey an unqualified success."

VIA performed very well in the year 2000. More importantly, we defined a new future for passenger rail in Canada.

In fact, the year 2000 was — once again — VIA Rail's best year yet, crowning over a decade of steady improvements in performance, service, and managing costs. For the second year running we achieved a \$20-million increase in revenues. We increased our ridership significantly, a major milestone towards sustained growth for passenger rail. We kept a tight reign on costs, achieving and even surpassing all key financial targets for the year: proven success, solid management, dedicated employees.

But the real story of the year 2000 goes beyond numbers. It's about the birth of a new VIA Rail, and launching Canadian passenger rail into the future.

In April, the Government of Canada announced a commitment to passenger rail, and a commitment to the capital investment we need to move forward. This commitment confirms not only that VIA Rail has become an exceptional corporation in terms of financial control, product innovation, marketing and service delivery, it also confirms a shared vision of the future — a future where a strong, revitalized passenger rail service is essential to meeting Canada's transportation needs.

VIA responded quickly to realize that shared vision. We've already begun modernizing our stations and infrastructure. We've purchased new, state-of-the-art equipment that will come into service in 2001. We've put in motion a true renaissance of passenger rail that will bring new trains, more frequencies, and faster services to travellers across Canada.

This renaissance story has deep roots. VIA's employees have worked hard — giving everything they've got — for more than a decade to make this rebirth of passenger rail possible. It has been a long, often challenging journey, as we focused on delivering the best possible service to our customers, while cutting costs, streamlining the corporation, struggling with outdated equipment and facilities. The people of VIA Rail — the people who maintain the trains, deliver uncompromising service on board and off, and deal hands-on with the thousands of daily, detailed tasks in running a railroad — have made the journey an unqualified success.

future

vision
commitment
growth

The renaissance of passenger rail — and this annual report — is in many ways a tribute to the efforts of the employees of VIA. To this tribute I add my own heartfelt gratitude and thanks for their skills, patience, and absolute commitment to the job.

These skills and commitment are needed now more than ever, as we move into this new era of growth for passenger rail. We must continue to provide the best possible passenger service, to control costs, and to constantly improve our operating results. At the same time, we must look ahead, to gain the maximum benefits possible for Canadians from the capital investment entrusted to us. We can achieve these objectives only by drawing on the knowledge and skills of all of our people, at every single level of the corporation.

During 2000, we consulted people throughout VIA to learn how we can do that more effectively. The result is a new approach to running the company — a corporate structure that eliminates any vestige of the old corporate silos, and puts real decision-making power and accountability on the front lines. This is not just a change in theory. It is a change in fact. It is already working. It is vital if we are to meet the new challenges of growth and expansion for Canada's national passenger rail service.

We are acting quickly and with confidence to meet these challenges. This annual report describes some of the solid, concrete results already achieved. Dramatic results are on their way for 2001.

The renaissance has begun.

Marc LeFrançois,
Chairman of the Board



Commitment to success	1
The commitment and skills of each and every employee have contributed to VIA's revitalization.	
At-seat service in Economy class	2
Alain Houle, Senior Service Attendant.	
Moving forward	3
Claude Parent at the helm.	

higher

revenues
ridership
efficiency

2000 highlights

With increased ridership and a \$20-million increase in revenues, we achieved an unprecedented 59.5% revenue/cost ratio — and reached full cost-recovery for Corridor operations. High performance, innovation, and proven management expertise have prepared the way for investment in the future.



1

Outstanding performance

System-wide performance continued the momentum achieved over the past decade. We increased revenues by \$20 million for the second year in a row, an increase of almost \$100 million over 1990. We carried 200,000 more passengers than last year, an increase of over 5%; this also represents an increase of 12% over 1990. Our ratio of revenues over expenses reached an unprecedented 59.5%. Total government operating funding per passenger-mile dropped to 18.1 cents, down from more than 52 cents per passenger-mile in 1990.



2

In Eastern Canada, revenues increased by 5% as compared to last year, despite intense competition from discount airlines in that market. In the Quebec City–Windsor Corridor, where we introduced additional frequencies to meet the growing market demand for medium-distance commuter and intercity train services, our operations have achieved 100% direct cost-recovery.



3

In Western Canada, demand continued to outpace capacity, while challenges in coping with the infrastructure and shared scheduling with freight operators unfortunately resulted in a drop in on-time performance. Equipment purchased in 2000 will allow us to deploy existing rolling stock to the West so that we can increase capacity and meet the ever-growing demand.

Despite the significant increase in fuel prices, and the increased expenses incurred when expanding services, we kept tight control over costs. Total government operating funding for 2000 was \$164.4 million, less than in 1999, and down from more than \$350 million in 1990 — even though we now operate more trains, carry more passengers, and deliver a higher quality of service.

Innovation and growth

VIA introduced new services and additional frequencies in the Corridor, responding to the demand for quality travel choices in this busy market. The *Enterprise*[™], an overnight train between Montreal and Toronto, operates Sunday through Friday, and offers travellers the option of full sleeping accommodations and shower facilities. We extended the Montreal–Toronto corridor to include Oakville, offering residents in the greater Oakville–Burlington–Hamilton region direct service to Montreal and Ottawa. We also added trips between Ottawa and Toronto and between Montreal and Quebec City to create consistent weekday patterns on these routes.

1	Christena Keon Sirsly The Chief Strategy Officer provides leadership and ensures that our long-term capital investment goals are achieved.
2	Paul Côté The Chief Operating Officer focuses on ensuring delivery of the highest quality service on a day-to-day basis.
3	J. Roger Paquette The Chief Financial Officer provides critical focus on controlling costs.

innovative

products
service
expertise

In addition, we created a new type of service for business travellers — the **Priva™** dedicated car service. Designed specifically for corporate meetings, Priva offers corporations and business groups the option of a private, travelling meeting room for productive travel.

In Maritime Canada, VIA introduced the **Bras d'Or™**, a seasonal touring train offering a spectacular cruise through the heart of Nova Scotia's Cape Breton Island. We also introduced dedicated sleeping cars, called **Northern Spirit™**, to VIA's **Hudson Bay™** train operating between Winnipeg, The Pas, Thompson and Churchill.

We launched a totally new service called **VIAPAQ Courrier™**, offering same-day and next-day intercity emergency courier service throughout the Quebec City–Windsor Corridor. **VIAPAQ Courrier** provides emergency delivery service at competitive prices.

We developed **VIA eSchedule™**, the first application to provide electronic travel schedules for hand-held, laptop and desktop computers. This complements our self-serve Internet booking service introduced in 1997 when we were the first railway in the world to do so.

VIA's maintenance expertise continues to be in demand. We renewed multi-million dollar service and maintenance contracts with both West Coast Express, in British Columbia, and Montreal's Agence métropolitaine de transport.

Uncompromising safety

Our commitment to safety, for our customers and our employees, continued to be a clear, highly visible priority throughout the corporation. In fact, Transport Canada is considering our new Safety Management System — the first of its kind for a Canadian railway — as the basis for a pilot safety audit which will help establish safety compliance guidelines throughout the Canadian rail industry.

We began a comprehensive project to upgrade and modernize signalling and control systems on all tracks which we own, and are working closely with CN regarding safety issues on their infrastructure. We have adopted new risk assessment procedures for all operating initiatives, and new standards which hold managers accountable for coordinating emergency preparedness measures. In addition, the Montreal Maintenance Centre's electronics and component repair shops received ISO 9002 recertification, confirming their compliance with international workplace quality standards.

As a result of these initiatives, workplace safety improved during 2000, with a 7% decline in employee days lost.



	Service with a smile Teresa Beaulieu, Telephone Sales Agent.	1
	VIA's new overnight delivery service, VIAPAQ Courrier	2
(l. to r.)	Yvon Amazan, Nicole Allard, Normand Richer.	
	Introducing Northern Spirit cars	3
	Dedicated cars for VIA's Hudson Bay train operating between Winnipeg and Churchill.	

vision

investment
new equipment
better facilities

A new vision

With a five-year, \$401.9 million capital program, VIA is creating a new vision for passenger rail in Canada — a modern, efficient, coast-to-coast network, with state-of-the-art trains, delivering fast, high-quality services to all our customers.



1 2

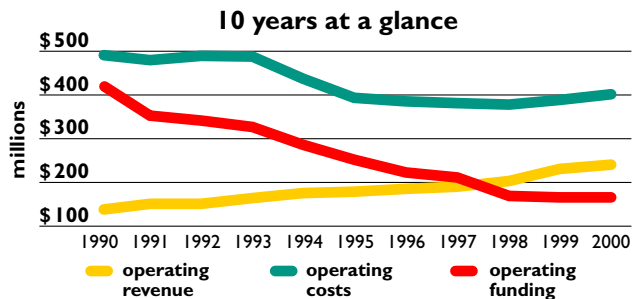
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VIA Rail has earned its place in the transportation market place. We know passenger rail. We understand the market, and we understand the vast potential for growth in passenger rail services.

On April 12, 2000, the federal government helped tap that potential with a new vision for the future. In addition to providing stable annual funding for ongoing operations, it announced a five-year, \$401.9 million capital investment to stabilize and modernize Canada's passenger rail network. The Honourable David Collenette, Minister of Transport, emphasized that passenger rail would play a critical role in meeting the country's future transportation needs, and alleviating major challenges such as traffic congestion and pollution in heavily populated centres.

This investment will allow us to respond to the very real demand for a modern, efficient, coast-to-coast passenger rail service — a demand that has continually outpaced our capacity to deliver the new, quality services our customers expect. It means much-needed, modern equipment, better tracks and infrastructure, better station facilities, improved safety and environmental practices, a truly modern network of services linking communities across the country.

1	Steve Del Bosco Vice-President, Marketing
2	Michael Gushue Vice-President, Operations Support
3	John Marginson Vice-President, Capital Program and Business Development
4	Mike Greenberg Vice-President, Procurement and Real Estate



enhanced

safety
speed
reliability

The investment plan

We responded quickly to the government's announcement with a detailed, concrete capital improvement plan that will ensure the highest possible return on the investment. The government has approved our five-year plan in principle, and encouraged us to proceed quickly with the first year of the plan.

New and better trains

The investment plan includes purchasing new passenger cars and locomotives, funds for repairing all reusable rolling stock, and completely refurbishing the rail diesel cars used on Vancouver Island and in Northern Ontario.

Safer, more efficient tracks and signalling

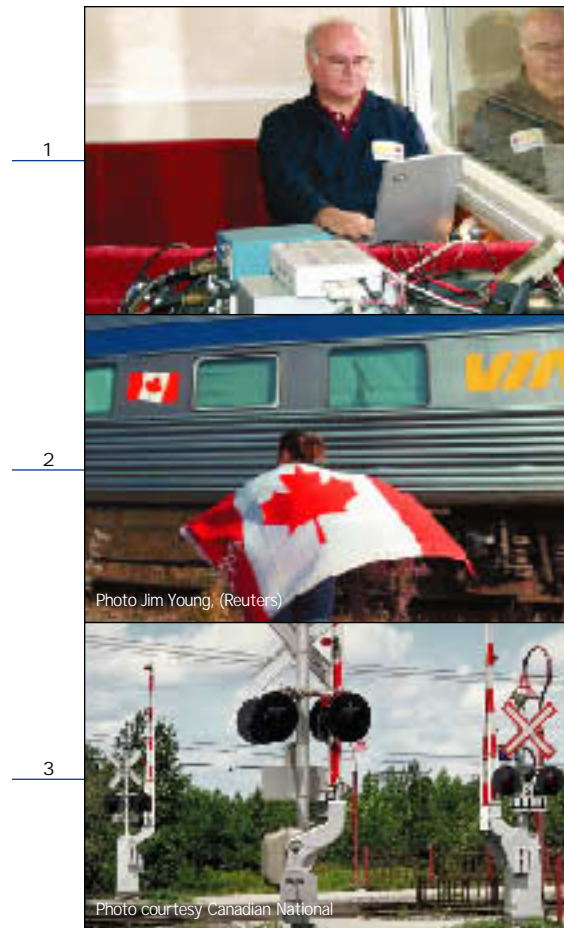
Investment to upgrade and improve the infrastructure — the tracks our trains run on — will accommodate growing high-speed passenger traffic in the Quebec City–Windsor Corridor. Major improvements will include extended passing tracks, sidings, and other measures to reduce speed restrictions. In addition, we will invest in improved signalling and traffic control systems, including Centralized Traffic Control systems on infrastructure owned by VIA.

Improved station facilities

We will improve facilities in our stations, in communities across the country, to ensure that they meet the expectations of Canadian travellers.

Better environmental practices

We will invest in new procedures and equipment modifications to ensure the safe, environmentally sound management and disposal of waste on board all VIA trains.



Rigorous testing Alexandru Popistas monitors the new equipment's performance.	1
Deep roots A proud Canadian salutes a passing VIA train.	2
Safer, more efficient tracks and signalling Improvements to the infrastructure will accommodate more traffic and higher speeds.	3

more

trains
services
capacity

Impact on services

Improved facilities, better infrastructure, and new equipment will have dramatic impacts across VIA's entire network. Our immediate objective is to complete urgently needed improvements, which will secure the continued safe, reliable and cost-efficient operation of the passenger rail system. Our long-term objective is to provide the foundation for new, improved services and passenger growth in the years ahead. As the capital investment plan unfolds over the coming years, Canadians will enjoy better access to trains across the network, more frequent, faster services, refurbished stations, and modern equipment.

Increased fleet capacity, in particular, will yield significant service improvements in all parts of the country. It will allow us greater flexibility in deploying equipment when and where it is needed to meet fluctuations in demand. This is especially important in Western Canada, where limited capacity has hampered our ability to meet the demand for quality service.

New equipment will enhance VIA's successful overnight train services in the Quebec City-Windsor Corridor as well as in Eastern Canada, and will result in more equipment availability between Toronto and Vancouver. Refurbished rail diesel cars will provide a far more reliable and comfortable service to customers on Vancouver Island and in Northern Ontario. In the densely populated Corridor, which accounts for 85% of our customers, better equipment and infrastructure will result in new trains, new frequencies, and faster services. For example, we plan to increase our services with:

- 30% more trains per day between Montreal and Toronto, reducing trip time by up to 10 minutes;
- 40% more trains per day between Ottawa and Toronto, gaining up to 20 minutes per trip; and
- 40% more trains per day between Montreal and Ottawa, while cutting up to 25 minutes off the trip time.

Several more exciting improvements are planned for these and other routes in the years ahead, with more time saved per trip and even more routes, details of which will be communicated as they become available.



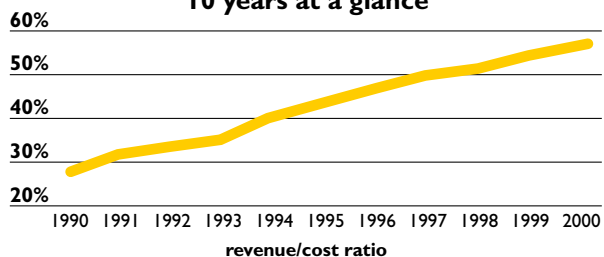
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2

1	At your service Carlos da Silva, Counter Sales Agent
2	Welcome aboard! Sylvain Dottin, Service Manager

10 years at a glance



stations

image
comfort
convenience

Acting on the vision

With a clear focus on the future, we are acting quickly to implement the investment plan — introducing more and faster trains, better facilities, and better services, bringing Canadians more options for safe, comfortable, reliable transportation.

While the investment plan aims at the long-term stability and growth of the new VIA Rail, we were ready and able to begin implementing the plan as soon as it was formally approved in July. We took immediate action to begin station improvements, infrastructure upgrades, and secure new equipment.

Stations

We launched a system-wide program to upgrade passenger stations and facilities, including new signage, improved lighting, better seating, ticketing and baggage handling. The program started with stations in the Quebec City–Windsor Corridor, but will expand to include many stations across Canada over the next four years. All of these improvements to our passenger facilities will present an image in keeping with the new VIA Rail — an efficient, modern, customer-focused transportation company.

To this end, we launched major capital projects to improve our London, Kingston, Oakville and Oshawa stations. London and Kingston — two of our busiest stations — will receive special attention. In London, VIA services were relocated to temporary facilities in December, in preparation for demolition of the old station early in 2001 and construction of new facilities. In Kingston, major renovations are planned to accommodate increased traffic, especially during peak periods, as well as to provide better accessibility for disabled passengers.

Renovations in Oakville, Oshawa and Kingston are scheduled for completion by the end of fall 2001, and the new station in London will open in September. In addition, we recently partnered with B.C. Ferries to establish an intermodal station in Prince Rupert. We also worked closely with Parks Canada to completely redevelop their heritage station in Jasper National Park.



1	The new face of VIA in Southwestern Ontario London station is scheduled to open in September 2001.	1
2	Modern and customer-focused London's new facilities include improved seating, ticket counters and platform access.	2

tracks

safer
modern
efficient

Toronto's Union Station, previously owned by CN and CP, was sold to the City of Toronto in June 2000. The City intends to redevelop the station into a commercial and intermodal facility. VIA will make a significant investment in improving its baggage handling and ticketing. Its customer service areas will be relocated and upgraded. VIA's part of the station redevelopment will be completed in the fall of 2001.

We began renovations or upgrades in Smiths Falls, and stations in Churchill, Brockville and Cornwall will be refurbished in 2001. Other stations across Canada will benefit from the renovation program over the coming years.

Infrastructure

An efficient, modern rail infrastructure — the tracks, switches, signals, control systems and bridges — is critical for the safe operation of passenger trains, and the introduction of more, higher-speed services. Infrastructure improvements are a major component of our capital investment plan.

We began with the rail line linking Montreal and Ottawa — the Alexandria Subdivision — one of the few rail lines owned by VIA Rail. Over the next two years, this \$25-million investment will improve the rail line with new signalling systems and track upgrades to permit increased train speed. This will allow us to cut up to 25 minutes off the trip time and add more train services between the two cities.

Over the next five years, upgrades are also planned for other routes using Canadian National infrastructure in the Quebec City–Windsor Corridor.

We made a priority commitment to upgrade our waste management practices throughout the Quebec City–Windsor Corridor. VIA has identified and will be implementing solutions to stop the practice of disposing of human waste directly on the tracks in the Corridor quickly and cost-efficiently. In addition, all new trains will be equipped with full retention tanks. The improvements to waste management practices will expand to include the entire national passenger rail system as soon as technically possible.



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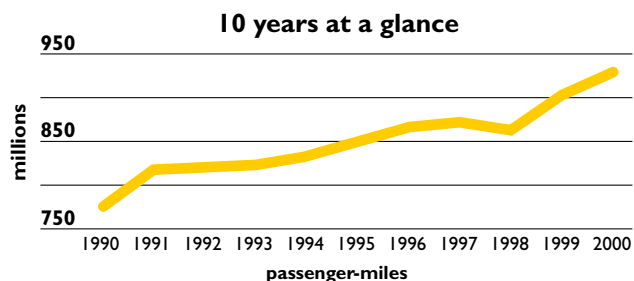
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An historic day for Canadian rail

December 15, 2000 marked the beginning of a new era for VIA when the Honourable David Collenette announced the purchase of 139 passenger cars.



trains

new
faster
reliable

Faster locomotives

At year end, we were in the final stages of securing a supplier for up to 21 new high-speed locomotives — an \$80 million investment. The new, modern locomotives have a typical operating speed of 175 km/h, or 110 mph, with highly efficient acceleration and deceleration performance. This will give us the much-needed capacity to shorten trip times in our busiest markets.

The new locomotives will also be equipped with state-of-the-art safety systems that monitor train operations, record operating data and facilitate equipment diagnostics. Operators will enjoy a climate-controlled cab that minimizes fatigue from noise and vibrations.

New trains

Perhaps the most dramatic step towards progress for the revitalized VIA Rail was our purchase of 139 passenger cars in December, the first major purchase of new cars in more than 20 years. This additional equipment will expand our total passenger fleet by one third, allowing us to add departures and expand overnight sleeper services in the Corridor, improve overnight services between Montreal and Halifax/Gaspé, and free up equipment for use in Western Canada. VIA began preliminary evaluations and testing of the equipment in Canada last June.

This purchase represents an exceptional value for Canadians. The cars were originally ordered by a consortium of European companies for a train service that was subsequently cancelled. We were able to buy them from Alstom Transport Limited, the British manufacturer, at a fraction of the price for similar state-of-the-art passenger equipment. And we eliminated the three-to-five year lead time normally involved in acquiring new equipment. The cars have started to arrive in Canada, and we will put the first of them into service by late 2001.

The equipment was custom-built for short-haul business travel and one-night sleeper service, and was designed for efficient operation in a wide range of geographic and climatic conditions. Ideally suited to meet expanding market demand in Central and Eastern Canada, the new trains can operate at speeds up to 200 km/h, and incorporate the best of current technology and advanced safety features.

We acted quickly to seize this rare opportunity — an opportunity to dramatically improve our entire passenger rail system at a price unheard of in Canadian — or even in world markets. The new passenger cars demonstrate, in the most visible way possible, the future of passenger rail in Canada — modern, efficient, reliable equipment, making possible improved service levels, increased ridership, and higher revenues for Canada's national passenger rail service.



1



2

	New arrival	1
The new European cars have already started to arrive in Canada.		
	Unofficial unveiling	2
The protective cover is peeled off upon the equipment's arrival at a VIA maintenance facility.		

challenges

expansion
integration
stability

The new challenges of growth

Investment and growth bring new challenges for VIA — realizing the maximum future benefits from investment, while continuing to focus on the immediate tasks of delivering the best possible service to our customers. To meet new challenges, we have reinvented the corporation, maximizing our key assets: the talent, knowledge and dedication of our people.



1

The new VIA Rail has set its sights clearly on becoming a modern passenger rail service that offers Canadians more options for safe, comfortable, and reliable transportation. We are introducing more trains — and, in general, faster trains — throughout the network. We are building a renewed network of facilities that will provide our customers with increased comfort, convenience, and access to our trains. We are rebuilding and upgrading the infrastructure of our network to ensure maximum safety and efficiency.

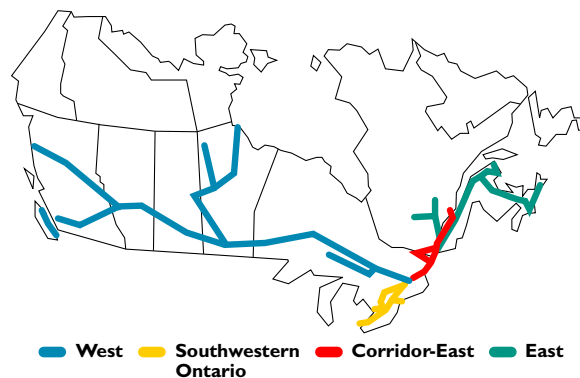
At the request of the Minister of Transport, we also began exploring a number of special initiatives during the year 2000. For example, many communities across Canada lost passenger rail service when the network was cut in half in 1990. We are studying the possibility of restoring service to some of these communities, as well as extending service to more areas outside the current network.

We also began looking at options to support the Minister's smog reduction initiatives through closer intermodal partnerships and links with commuter services. These might include, for example, joint ticketing and integrated scheduling with commuter services in the Greater Toronto area and new connecting services to airports.

While examining these options, our priority is clear: growing our business where growth is sustainable, while maintaining financial stability and operating within the constraints of our existing operating funding.

2

Four new service teams in VIA's network



1	High-quality standards Dale Virdee, electrician, Montreal Maintenance Centre
2	An environmentally-friendly alternative Intercity passenger rail helps to reduce smog and road congestion.

managing

growth
change
performance

Growth brings with it a new set of challenges for VIA Rail.

For the past decade we have operated with a determined, single-minded focus on controlling costs and managing the day-to-day operations of passenger rail as efficiently as possible. While we have always had an eye on the future and have always known what must be done for the future of passenger rail in Canada, we have had little opportunity to focus on the long-term challenges and excitement of growth.

We now have that opportunity, and we are faced with two critical objectives:

- To be the best passenger transportation company in Canada;
- To realize maximum benefits from the capital program.

As we considered these new challenges, we began an intense process of self-examination. We concluded that a new era of growth and revitalization called for a new approach to managing passenger rail.

This new corporate organization, effective in early 2001, eliminates the departmental silos of traditional organizations. Under the direction of the Chairman of the Board and of the President and Chief Executive Officer, senior leadership is channelled into three streams that cut across functional boundaries and affect all aspects of running a passenger rail service: strategy, operations, and control.

The Chief Strategy Officer provides leadership for the corporation's strategic direction, and ensures that our long-term capital investment is managed to achieve maximum returns. The Chief Operating Officer focuses on ensuring the delivery of the highest quality service on a day-to-day basis. Our Chief Financial Officer provides the critical focus on controlling costs — ensuring that growth is achieved without compromising our ability to maintain a lean, cost-effective operation.

Unlike traditional senior positions, these chief officers are not directing separate, departmental teams. Together with four Vice-Presidents in charge of marketing, operations support, capital program and business development, as well as procurement and real estate, they oversee the operation of a true matrix of cross-functional teams. In addition, we have organized full service teams around our key markets — Western Canada, Southwestern Ontario, Corridor-East, and Eastern Canada — each of which combines responsibilities for planning, operations, and control.

1



2



VIA's senior management team (l to r.) Chief Financial Officer J. Roger Paquette, Chief Strategy Officer Christena Keon Sirsly, Chairman of the Board Marc LeFrançois, and Chief Operating Officer Paul Côté	1
VIA's mission To offer safe, high-quality, low-cost passenger rail service.	2

forward

innovation
accountability
opportunity

Our goals in creating this type of cross-functional organization, and the key to making it work, are to ensure that we can build the new VIA Rail with the combined knowledge and expertise of our entire organization.

When teams combine the skills and abilities of people who understand and are accountable for all three corporate priorities, there is less reason to defer critical decisions by passing them up the corporate ladder. Instead, real responsibility, accountability, and decision-making power exist at the level where the need for decisions arises. And the people making those decisions are the ones most likely to know what effects they will have on the customer.

This is a radically new approach to empowering employees and ensuring accountability throughout the organization. It is also a sensible approach, and the most effective way to leverage VIA's very important capital: the talent, knowledge and dedication of our people.

It is precisely this capital that has made the new VIA Rail, and the renaissance of passenger rail, possible. And this is why VIA Rail is confident in a new future for passenger rail: a future of opportunity, growth, and a continually improving service to travellers across Canada.



Jim Merrithew

1



Jim Merrithew

2



Jim Merrithew

3

1, 2, 3

A nation pays tribute

VIA Rail had the honour of transporting the late Right Honourable Pierre Elliott Trudeau on his final journey home, October 2, 2000.

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