

MESSAGE FROM MANAGEMENT

VIA's strategic focus is on the strengths of passenger rail — delivering a service with exceptional value, in touch with the needs of Canadians, providing a quality travel experience no other mode of transportation can match. In 2004, that focus kept us on track through a very difficult year.

Faced with a slow travel market and intense competition for customers, we resisted the temptation to engage in a price war with discount air operators. Instead, we launched our highly-innovative “It’s Only Human” campaign, working with our employees to tell customers exactly what they can expect when they choose passenger rail — comfortable, relaxing travel and attentive personal service from people who listen to and understand travellers’ needs.

We worked hard to go beyond our customers’ expectations, with product refinements such as testing wireless Internet access for business travellers on Corridor trains. We streamlined cross-functional management responsibilities to ensure a faster, more effective response to the people and communities we serve. We worked closely with our freight rail partners to minimize train delays caused by the limited capacity of our shared infrastructure.

Throughout the Corporation, the creativity and imagination of VIA’s people helped keep passenger rail moving forward. New and innovative ways to reduce costs while increasing value set the stage for some truly creative rethinking about how passenger rail can best serve Canada in the future. As the *Ocean*, VIA’s Montreal-Halifax train, marked its centenary as Canada’s longest-running scheduled and named passenger train, VIA’s people prepared for the renewal of that service in 2005 — a redesign of passenger rail in Eastern Canada to meet the needs of the region in the 21st century.

We addressed some of the long-term challenges facing Canada’s transportation system as a whole. At a time when safety and security are dominant concerns for travellers, VIA’s Safety Management System passed a comprehensive audit by Transport Canada, and our Corporate Security Master Plan has been improved

with assistance from international security and counter-terrorism experts. As the government reconfirmed Canada's commitment to the Kyoto Accord, VIA continued to address key environmental objectives, strengthening our position as Canada's most environmentally sustainable mode of public transportation. And we continued to work with other modes to enhance the efficiency of the public transportation system, through our intermodal connections with bus companies, airlines and urban transit authorities across the country.

In the years ahead, VIA's success in addressing these issues will serve Canada well. Sustainable progress in improving the environmental impact of transportation and relieving urban traffic congestion, for example, ultimately depends on providing Canadians with better alternatives than travelling by car. Passenger rail is the only common carrier mode with the capability of doing this on a significant scale. And we know from experience that — given the option of timely, efficient rail service — people will choose the train.

But that choice will always depend — today and tomorrow — on the talents our people bring to the job. We know that this is where our greatest strength lies, and our greatest competitive advantage in passenger transportation. The success of passenger rail comes from people who are passionate about that success.

And, in 2004, we launched a complete transformation of the Corporation designed to bring that passion alive like never before. Every aspect of how we recruit, train and reward people is being realigned to bring out the best of their talents in the service of travellers. Described more fully in this report, we believe it is an innovative, responsive and focused approach to strategic human resource management.

As we enter 2005, VIA is moving forward with confidence, with a clear vision for the future: to be the Canadian leader in service excellence in passenger transportation.