



# Speaking Notes

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## Managing the customer experience at VIA Rail

Good morning.

I always welcome the opportunity to talk about passenger rail -- a passion that has been the centre of my entire professional life. And it is a special pleasure to talk to you here today, in Montreal.

It is no accident that Montreal is home to the headquarters of Canada's national passenger rail service, our biggest Maintenance Centre, and some 1,300 employees, over a third of the total workforce.

This is the city that launched the *Ocean*, VIA's train to Halifax, more than 100 years ago. That train is still running through Eastern Quebec and to the Maritimes. It's the oldest scheduled passenger train service in North America.

This is the city that launched the first train on a new rail line to Toronto, more than 150 years ago. That line grew into a network linking Quebec City to Windsor, carrying some 400 trains per week today, some 3.5 million passenger in 2006. It became the core of a passenger network that spans the country coast to coast, and north to Hudson Bay.

The roots of passenger rail in Montreal run very deep, and it is a tradition that I am proud to be part of.

But I also know that you can't run a business on tradition alone. You have to deliver value to your customers today. In fact, you have to keep finding ways to deliver more value.

Passenger rail is thriving today because our customers value train travel. We give them an experience that they value more than other travel alternatives. And if passenger rail is to thrive in the future, we will have to keep focusing on the customer, and deliver more value than the competition.

I want to talk about how we are doing that at VIA Rail.

When I took the job as VIA's President three and a half years ago, customer focus was at the top of my mind.

We were beset by all kinds of challenges. For more than a decade, VIA had been on a winning streak – lower operating costs, higher revenues, attracting more customers year after year.

Then it seemed the bottom fell out of the travel market. The aftermath of 9/11, fears about health risks like SARS and a series of natural disasters –all combined to make 2003 one of the worst years on record for the entire travel industry.

Since then, things have never really returned to “normal”:

- There has been major restructuring in the travel industry, with more intense competition and price wars.
- Customers have higher and higher expectations about the kinds of travel services available.
- Markets keep changing, and businesses have to respond faster than ever just to stay in the game.

Add to all this the fact that, despite our best efforts, our operating costs are on the rise, especially fuel costs.

As we scrambled to meet these challenges, my colleagues and I felt that we could lose our focus – as an organization -- on the customer. And we knew that would spell disaster for VIA Rail.

For two reasons.

First, the unique travel experience we deliver to our customers is our key advantage in the marketplace. People choose the train because it offers something different – a more comfortable way to travel, a safer and less stressful way to travel, with the chance to stretch out and relax, or get some work done *en route*. We call it the “human” way to travel.

Second, in a market where achieving growth is a real challenge, there is really only one way to increase our business, and that is by adding value to our customers' experiences.

Our success depends on:

- Understanding how and why customers value that experience.
- Anticipating their needs. And
- Delivering a service that exceeds their expectations.

That is what customer focus means, and it has become the foundation for our business strategy at VIA Rail.

This strategy involved:

- Reorganizing our company, to focus our people and resources more precisely on the customer.
- Changing the way we hire, train and reward employees, to increase our talent as an organization in delighting customers. And
- Developing a corporate-wide management process to focus, engage, measure and reinforce efforts to put the customer first.

We created the position of Chief Customer Officer, who integrates all people and processes that contribute directly to the customer experience, from market research to product development to service delivery on board our trains.

What this means is we now develop and deliver the customer experience through a single, unbroken chain. We call it the Customer Experience Group.

This has sharpened our business focus – and our ability to match what the customer **expects**, and what the customer actually **experiences**.

But to truly excel at delighting customers, the **entire** organization has to actively support the Customer Experience group.

So we strengthened our cross-functional effort which brings together people from different departments. Cross-functional teams allow people with different responsibilities – from operations planning to official languages – to work with a common focus on the customer.

But they also include all the internal processes, like equipment maintenance and administration – the things that customers may never see directly, but affects their experience.

This way we can identify problems and opportunities, explore solutions and new ideas, and take action quickly – and the impact of decisions on the customer is more clearly understood.

Our approach to human resource management is also evolving. More than ever before, our success depends on people skills -- the creativity, innovation, and *caring* that employees bring to the job. So we have identified the *core competencies* we need in our employees. These are the talents that build and strengthen relationships with our customers – talents like listening skills, empathy, and creative problem-solving.

We have built those talents into the way we hire, train, evaluate and reward our people. And we are beginning a new “cultural shift” by using coaching and positive feedback at all levels of the organization to reinforce success in customer service.

In doing so we are building an organization of people who are not only very good at what they do, but are passionate about doing it well.

These organizational and cultural changes are brought to life through a simple but powerful approach to managing results and performance on the job.

First, we work together to make sure that we all share a clear vision of what we mean by a “customer-focused organization”. Managers, supervisors and senior executives at all levels engage in frequent consultations. We take a hard, practical look at what it means to go beyond customer satisfaction, to anticipate and exceed our customers’ needs. We spell that vision out in clear, well-defined performance objectives.

Second, we engage all employees in that vision, reinforce that vision through hands-on communication and teamwork, and make sure our people have the tools they need to do their job.

Third, we measure results. We look at what is working, and what could work better. And we share what we discover throughout the organization.

Finally, we reinforce what is working, reward and celebrate success – and start the process all over again.

Focus, engage, measure and reinforce – it is a framework that brings “customer focus” down to the real world, and it gets results.

For example, it has helped us bring some real innovations to passenger rail – innovations that truly reflect customer needs and expectations.

When markets were changing and passengers disappearing, we consulted inside and outside, listened and responded. We introduced an entirely new concept in rail travel -- Easterly Class service on board the *Ocean*. It offers a very different travel experience for those travelling from Montreal along the south shore of the St. Lawrence through to Halifax. In fact, it turns travel into a complete learning experience, with onboard activities, entertainment, regional cuisine, and comfort. The service is getting exceptionally high ratings from customers.

In the same way, in the Quebec City – Windsor Corridor – where we carried a record 3.5 million passengers last year – we have learned a lot about what our customers are looking for.

Last year we adjusted train schedules between Montreal and Quebec City, so that our departures and arrivals fit in with our customers' plans. And we added two new departures for Montreal from Ottawa's west-end Fallowfield station.

We developed new tourist services with business partners – such as Canada's first “Casino Train”, the “Bike Train” between Toronto and Niagara Falls, and the “Snow Train Express” between Jasper and Edmonton.

We've gained a better understanding of the needs of business travellers. As a result, we continue to fine-tune the services and facilities we make available. And last year, we became the first passenger service in North America to make Wireless Internet available to our customers, with access fully implemented on all our trains and major stations in the Windsor-Quebec City corridor.

If you call our telephone sales agents, you will discover another example of customer focus in action. Thanks to better technology and databases, repeat customers are getting a much more personalized service. Agents have access to the information they need to understand individual needs, and provide service tailored to your own travel habits and preferences. And agents are serving customers more quickly and efficiently and are able to give more individual attention.

You can also see the impact of customer focus in our marketing. Advertising campaigns, built on understanding what customers appreciate most in passenger rail, have become more effective. And

last year, a study of customer preferences in the Corridor helped us to create new pricing strategies for services between Montreal, Quebec City, and Toronto. In fact, this not only increased ridership, but became one of our most successful growth initiatives on 2006.

We introduced additional online payment options. “Virtual credit cards” and bank transfers making online transactions more efficient, convenient and secure for customers.

Expect to see more changes in the future. We have started the first steps in a comprehensive review of all Corridor services. This review will include a complete assessment to determine how passenger rail must change to meet the changing needs of customers.

All of these examples focus on how we are building stronger relationships with individual customers. But I would like to talk about another aspect of “customer focus” at VIA Rail. That aspect is our focus on the needs of the communities we serve, including the groups of people within those communities, whether they are seniors, students or people with disabilities.

On that note, you may have heard about the recent Supreme Court ruling which requires VIA to modify its Renaissance trains to improve existing on-board amenities for travellers with disabilities. We are working with the Canadian Transportation Agency to meet these new requirements as quickly as possible.

We are proud of our leadership role in providing passenger services that meet the special needs of passengers with mobility and other restrictions. We are also proud of the way in which we have improved our products and services over the years. This is reflected in the special training we give our staff, in the on-line and telephone tools we provide, as well as in the many physical changes we have made to our equipment, stations and maintenance facilities to ensure better access to all. As I outlined earlier, we are committed to making the experience of travelling with VIA a unique and memorable experience for everyone.

Strong relationships are built on trust. And I believe it is important to earn the trust of our customers by acting responsibly.

This is a simple question of integrity. We ensure that as a corporation, and as individuals, we conduct our business with honesty and integrity. We have adopted a Code of Conduct which spells out exactly what that means, with clear standards to which we hold ourselves accountable.

But it is also a matter of corporate social responsibility. For example, we know that transportation has a big impact on the environment in Canada – and we know that our customers care about the environment.

So we work hard to make sure that passenger rail remains the most environmentally sustainable choice in public transportation.

We make annual environmental goals a key part of our business planning process, consistently improving our environmental performance. We are constantly reducing fuel consumption. We have adopted green procurement policies. And we encourage employees throughout the Corporation to develop new recycling programs.

For example, we encourage employees to join in Green Teams across the country. These are volunteer teams charged with developing new environmental initiatives. And they have come up with some innovative, award-winning ideas – like recycling old employee uniforms.

VIA also works as a corporate partner with other organizations to address social and cultural causes that are important to our customers. For example, last year we began serving “fair trade” certified coffee exclusively on our trains. And we support a variety of local events and initiatives here in Montreal, such as the Earth Day, Flora International and Car Free Day.

More recently, VIA became a national sponsor of “Kids Help Phone”, Canada’s national bilingual phone and web counselling referral and information service for children and youth.

Individual employees, too, are encouraged to take an active role in their communities, through activities such as fundraising, amateur sport events, and environmental causes.

I personally am involved with youth causes such as Portage, a non-profit agency working with substance abusers, as well as the Association québécoise de la fibrose kystique and Le Club des petits déjeuners du Québec.

I raise this issue of corporate – and individual – responsibility, because I think it matters to any organization that cares about its relationship with customers.

If we want to develop strong relationships, we need to be more than people who appear to care about people. We have to really care about people.

We do care, and I think that makes a difference to our customers.

So I am encouraged by the most recent Léger Marketing Survey. The survey found that in Quebec, people rank VIA as the most admired transportation company, and one of the top 30 most admired companies overall. Considering that in the previous survey we ranked 58<sup>th</sup>, this year's results are a remarkable improvement.

We know that our 98 per cent customer satisfaction rating is one of the highest in the industry. And we are getting better at taking the next step; 40 per cent of our customers say that we not only meet, but exceed their expectations – a 10 per cent increase over the past five years.

All of this adds up to a better customer experience -- and better performance for passenger rail.

In 2005, we achieved our highest yearly revenue growth ever, and carried a record number of passengers. And we maintained those gains in 2006.

Results like these don't happen by accident.

They happen because we have made the customer experience the core of our business strategy.

They happen because the people at VIA Rail are focused and committed to delivering the best possible value to our customers. And part of keeping customers top-of-mind is also thinking about how service and our products will evolve in the years ahead.

I too believe passionately in the potential of passenger rail, and have dedicated my whole professional life to it. It is a mode capable of moving great numbers of Canadians efficiently and effectively.

Rest assured that we are actively discussing the needs and the next steps for VIA and for passenger rail in Canada with our shareholder --- the government of Canada.

But talk about the future is for another day. Because unless the fundamentals of our business are sound, unless we are laying the foundation for future growth, the story of passenger rail in Canada will be written about what might have been and not the important role we can certainly play.

I am confident that our strong focus and commitment will keep Canada's national passenger rail service moving forward.

Thank you.