



Speaking Notes

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Managing the customer experience at VIA Rail

Good afternoon.

It is a real pleasure to be here in Calgary today, and I want to thank the Calgary Chamber of Commerce and Van Horne Institute for their kind invitation.

I can't think of any city that has more energy and vitality, or more promise for the future. The Van Horne Institute has, for a long time, been a beacon of this energy, bringing issues to the table for research and debate, and making an important contribution to the evolution the country's policy and business framework.

The Calgary Chamber of Commerce is also playing a leading role and very active role in bringing the future to life – not just for the business community, but for the people who live and work here.

Of course, you expect to find this kind of energy at the centre of Canada's fastest growing economy. But what I find remarkable is that Calgary has sustained rapid economic growth while remaining very much a "people" city.

It was named the "World's Cleanest City" by Mercer Human Resource Consulting last year. It is gaining an international reputation for its "liveability", ranking among the best cities in the world in both 2005 and 2006.

This kind of reputation is well earned, and I know that this Chamber of Commerce is working hard to preserve it – for example, with its recent survey of the community to identify future "quality of life" challenges for Calgary.

The business community knows that quality of life values – people values – matter, just as much as corporate profits. This is true whether we are talking about the life of a city, or the life of a corporation.

In fact, creating and delivering value is what drives any successful business. To succeed, you have to deliver value to your customers. And to stay competitive, you have to keep finding ways to deliver more value.

For example: Passenger rail is thriving in Canada today, because our customers value train travel. We give them an experience that they value more than other travel alternatives.

And Western Canada – home to more than 100 stations and passenger facilities, two of our four maintenance centres and 700 of our 3,000 employees – has been a big part of our success. That success has benefited not only travellers in the West, but taxpayers, communities, businesses and local tourism economies throughout the region.

And if passenger rail is to continue to thrive in the future, we have to keep focusing on the customer, and deliver more value for our customer's dollar.

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

As you know, VIA operates Canada's national passenger rail service on behalf of the Government of Canada – a year-round, all-weather service that connects people and communities from Halifax to Vancouver, and north to Hudson Bay.

Our mandate is to provide a national service that benefits Canadians, and the communities we serve, in the most cost effective manner possible. And we have been very successful – improving the quality of service, while reducing the costs to the taxpayer for operating the service.

We have done this by providing high quality, reliable intercity and inter-regional transportation to our customers, representing many different markets.

In northern Manitoba and British Columbia, the train is a transportation life-line for many of our fellow citizens. These customers rely on us to get them from where they live to the places they need to be ... for family, medical or business matters. Others, at home and abroad, rely on us to realize a life-long dream of seeing Canada by train.

During the summer season, some 70% of our customers on board the *Canadian* – an international icon of Western Canada for travellers from around the world – are tourists from outside Canada. Yet during the rest of the year, 80% are Canadian travellers.

Serving each of these markets well represents unique challenges, and unique opportunities, for VIA Rail. The high-yield tourism markets are particularly important for the region, and the financial stability of passenger rail. By developing these markets in partnership with regional and local tourism organizations, we have created a winning formula to maintain a high quality basic transportation service throughout Western Canada year round.

And the core of that formula is to focus on what our customers value most in train travel. 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 intercity travel and tourism markets. The fallout from 9/11, fears about health risks like SARS and a series of natural disasters – they 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 keep rising, 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.

Why? 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 there is little opportunity for growth, there is really only one way to grow our business: by increasing the value of that experience to our customers.

Our success depends on:

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

It's that simple.

That is what I mean by customer focus, 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.

A new Chief Customer Officer 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. Their job is to understand the marketplace and the needs of our customers. And then develop, market and deliver services that anticipate and exceed customer expectations.

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.

These teams include the “front-end” of the customer experience – where face-to-face interactions take place. 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.

In Western Canada, this is especially important since an important part of our role includes the provision of year-round, all-weather services across many thousands of kilometres. For many isolated communities, such as in northern Manitoba and British Columbia, flexibility, innovation and responsiveness can really make a difference in providing viable, relevant service to our customers. Our approach to human resource management is also changing. 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 process that brings “customer focus” down to the real world, and it gets results.

It has helped us bring some real innovations to passenger rail – innovations that truly reflect customer needs and expectations.

For example, in Eastern Canada, we have been applying some of the lessons learned from Western Canada. With markets in the Maritimes changing and passengers disappearing, we consulted inside and outside, listened and responded. And we created a new concept in rail travel – learning from our success in tourism markets in the West.

We had already pioneered services developed to meet unique tourism customer needs with Silver & Blue class service between Vancouver and Toronto – one of the most successful product launches in VIA’s history.

Our new Easterly Class service between Montreal and Halifax reflects the same focus on identifying, and meeting, the needs of a unique market niche. 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.

This success, in turn, has helped us find better ways to listen to the needs of customers here in Western Canada. We are continually refining Silver & Blue on to meet the increasingly sophisticated expectations of our customers with a range of initiatives -- from new kinds of staff training to an improved telephone reservation service, to enhance the Silver & Blue experience.

We improved schedules for our northern Rockies service to maximize daylight viewing, and developed new tourism products like Totem Class on the Skeena between Jasper, Prince George and Prince Rupert. We added new sleeper services to trains between Winnipeg and Hudson Bay.

We are listening not only to our passengers, but to the hotel and business owners in communities that depend on tourism. For example, we have developed new products to support organizations and businesses in remote communities seeking to tap into a growing “adventure” tourism market. We work with tour operators to develop packages, optimize schedules, and enhance onboard services to meet the needs of their customers.

And we are seeking out opportunities to expand the potential of Western tourism. VIA’s Western team is developing a new seasonal tourism product for the Winnipeg-Hudson Bay train, modeled on Silver & Blue class service. And we are working with Manitoba Travel to showcase the tourism potential of the region to top travel journalists, by co-hosting a chapter meeting of the Society of American Travel Writers on board the train.

We have also worked closely with Marmot Basin and the Town of Jasper to launch the new *Snow Train Express* -- a winter service between Edmonton and Jasper which started last January. The train provides weekend getaways for skiers, snowboarders and outdoor enthusiasts – while supporting the winter tourism economy in the region.

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.

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 helped us to create new pricing strategies that not only increased ridership, but became one of our most successful growth initiatives in 2006.

We also introduced new online payment options. “Virtual credit cards” and direct bank transfers are making online transactions more efficient, convenient and secure for 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 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.

That commitment is vital to build strong relationships with our customers. Strong relationships are built on trust. And I believe it is important to earn the trust of our customers by acting responsibly.

This is partly 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 of the environment in Canada – and we know that our customers care about this.

As Heather Douglas, President of this Chamber of Commerce, said recently – you don't have to “read tea leaves to discover that most Canadians care deeply about global warming and want to reduce carbon emissions.”

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 have reduced 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 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 initiatives and organizations that address important environmental, social and cultural issues, such as Habitat for Humanity – Edmonton, the Jasper Centre for Early Childhood Learning, the Alberta Legislative Assembly Program, and the St. Albert Child Care Society.

Just last week, VIA launched EnviroExpo, a new environmental innovation category of the Canada-Wide Science Fairs. In partnership with the Youth Science Foundation, the program aims to encourage high-school students from across Canada to develop new solutions to significant environmental challenges, combining both science and art for the first time. Entrants will have a chance to win one of three \$10,000 scholarships for the post-secondary institution of their choice.

VIA also recently 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, and the Quebec Cystic Fibrosis Association.

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 results of recent Léger marketing and corporate reputation surveys. These surveys consistently show that VIA Rail is one of today's most trusted and admired transportation companies – and among the top-rated corporations of any kind.

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.

Part of keeping customers top-of-mind is also thinking about how service and our products will evolve in the years ahead.

It must come as no surprise to you that the subject of VIA can get Canadians thinking about all sorts of possibilities for the future of passenger rail in this country.

Here in Alberta, there has been a lot of interest in the prospects of a high-speed rail service between Calgary and Edmonton. VIA Rail has taken part in the studies conducted by the Van Horne Institute on the feasibility of such a service. And as Canada's national passenger rail experts, we are very open to exploring how we might best contribute to this exciting business initiative in the future.

And, while the decisions about whether or when this project will go ahead are not for VIA Rail, we do believe it makes perfect sense to look ahead and consider the options and their potential contribution.

Whether or not that particular project comes to pass, I believe passionately in the potential of passenger rail for Western Canada, and for the country. It is a mode capable of moving great numbers of people efficiently and effectively.

And on the national front, rest assured that we are actively discussing the needs and the next steps for VIA and for passenger rail with our shareholder --- the government of Canada.

But all this talk about the future is really 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 in the future.

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

Thank you.