

## Message from Management



Despite disastrous market conditions in 2003, our long-term strategic plan remains on track, with progress achieved towards all key objectives.

If it is true that facing adversity builds strength of character, VIA did a lot of character building in 2003. One catastrophe after another, from forest fires and a hurricane, to virus scares and power blackouts, disrupted train operations and our customers' travel plans. At times, the string of catastrophes — along with security concerns related to terrorism and the war in Iraq — threatened to bring the entire travel and tourism industry to a standstill.

By the end of the year, the impact on VIA's bottom-line results was discouraging, especially when the results are compared to previous years. It was impossible to achieve the kind of increases in ridership and revenue VIA has enjoyed year after year over the past decade.

But if we look at what we did achieve in 2003, VIA and its employees have much to be proud of. Our long-term strategic plan remains on track, with progress achieved towards all key strategic objectives.

Surrounded by events and circumstances beyond our control, we concentrated on the things we could control, and our employees did their jobs very well. VIA staff worked hard to ensure the safety of passengers, and to help them reach their destinations when disaster threw normal operations into confusion. We tightened our belts and cut costs, limiting the impact of revenue shortfalls on the corporation. We refocused marketing efforts to recover lost business and attract new customers to passenger rail, achieving a significant recovery in passenger volumes in the last quarter.

In fact, in the last quarter of 2003, recovery was well under way. VIA's trains carried more passengers in the Quebec City - Windsor Corridor than in any fourth quarter since 1990.

Through it all, VIA's people showed the kind of dedication to our customers, and to the success of passenger rail, that makes them the best in the business of passenger transportation. Despite frequent, often severe disruptions of service caused by forest fires, power blackouts, and steadily increasing freight traffic, the dedicated efforts of our employees helped keep customer satisfaction ratings high. Yield — a measure of revenues earned per passenger-mile — increased slightly. And while business was down throughout the industry, passenger rail performed better than many companies involved in travel and tourism.



Throughout the year, VIA remained committed to a long-term strategy for growth, and our vision for the future as the Canadian leader in service excellence in passenger transportation. Projects under the Renaissance investment program, including the introduction of new equipment into service and modernizing our stations, progressed on course. We continued to refine and improve products and services in all parts of the country, from Vancouver Island to Halifax. We strengthened our inter-modal partnerships to combine the strengths of different transportation modes, in ways that meet our customers' demands. For example, we reached a new agreement with WestJet which allows us to combine cross-Canada rail travel with convenient, low-cost return airfare and ground packages.

And we continued to make innovation a fundamental value of the corporation.

In 2003, VIA's innovative use of technology to streamline access for customers broke new ground. We tested wireless Internet access on board our trains, and introduced self-serve ticket kiosks at busy stations, enhanced our already successful Internet booking engine, and upgraded systems for telephone sales operations. These innovations helped earn VIA recognition from both the Ontario government and the Canadian Chamber of Commerce for excellence in business technology.

Perhaps most importantly, we continued strengthening the spirit of innovation and entrepreneurship at VIA, and reinforcing a team of professionals who are passionate about the success of passenger rail in Canada. Following comprehensive consultation with employees at all levels, we improved communications, training and development, and employee involvement in pursuing VIA's strategic goals. With a clear, well-understood management and accountability framework in place, and effective recognition of excellent performance, the people at VIA are creating one of the most highly skilled, deeply committed, capable business organizations in the country.

This is an organization that is ready and able to continue delivering, and improving, the high-quality and cost-effective service Canadians expect from their national passenger rail service.

There are many challenges ahead for passenger rail in 2004. For the travel industry as a whole, recovery from the dismal market conditions of the year gone by is forecast to be slow. But VIA has emerged from the year more determined than ever to deliver the best possible service to Canadians.

With the right tools, passenger rail will continue to grow as part of the efficient, well-coordinated, multi-modal transportation system Canada needs for the future.