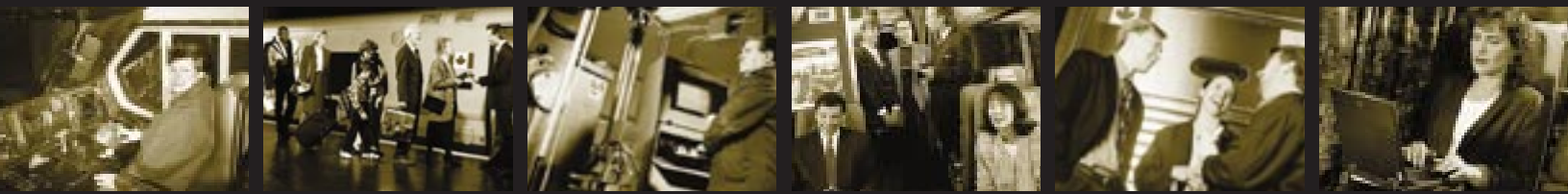




1 9 9 8 A N N U A L R E P O R T



Canada 

VIA Rail Canada

- ▶ Canada's national passenger rail service – serving all regions of Canada from the Atlantic to the Pacific coasts, and from the Great Lakes to Hudson Bay.
- ▶ One of the safest, most efficient, most reliable and most environmentally responsible modes of transportation available.
- ▶ 451 trains weekly travelling to 450 Canadian communities.
- ▶ 3,000 employees and over 3.6 million passengers.
- ▶ Close to 900 million passenger miles on 14,000 kilometres of track.
- ▶ Important to Canada's economy, contributing about \$1.8 billion annually to Canada's gross domestic product.

In Western Canada

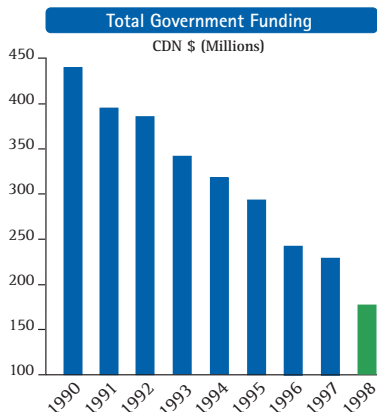
VIA's legendary Western transcontinental service caters mainly to domestic and foreign tourism markets. The *Canadian*, a long-distance train running thrice-weekly between Toronto and Vancouver, has been chosen as one of the top five "Great Journeys of the World" by *National Geographic*.

In the Quebec City-Windsor Corridor

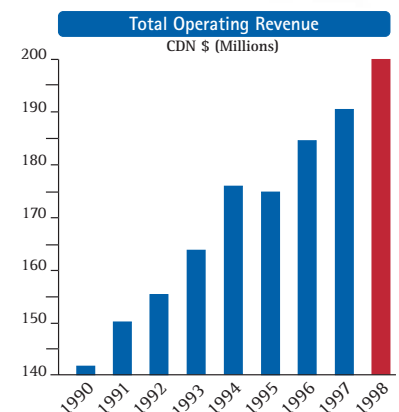
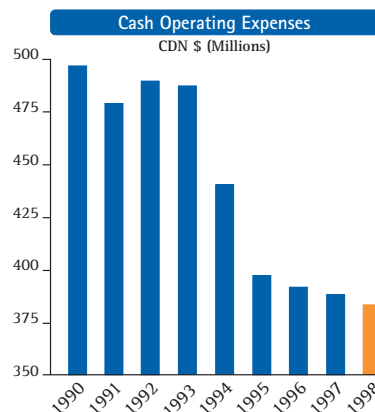
Our sleek, modern trains travel throughout the Quebec City-Windsor Corridor at speeds of over 160 km/h, providing intercity passengers with fast, convenient, comfortable and affordable service, downtown-to-downtown between Canada's largest business centres. *VIA 1* service offers first-class amenities, 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 travellers first-class amenities with VIA's award-winning *Easterly* service. The *Chaleur* makes three trips each week through the scenic Gaspé Peninsula from Montreal to Gaspé.



Includes restructuring and capital expenditures



is:

MANAGING THE BUSINESS OF PASSENGER RAIL

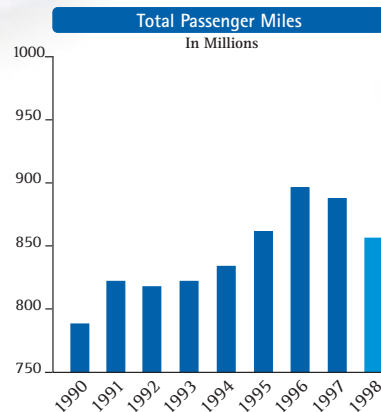
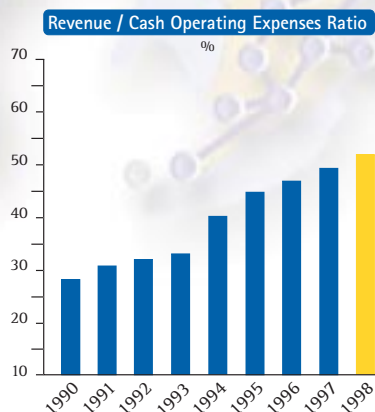
No passenger rail service in the world – indeed, no public, mass transportation service of any kind – operates without some form of government subsidy. However, VIA Rail Canada is determined to minimize the need for operating funding by reducing costs, and maximizing revenues.

Since 1990, we have:

- ▶ Reduced administration costs by 66 percent.
- ▶ Cut operating costs by 22 percent.
- ▶ Increased revenues by 40 percent.
- ▶ Increased passenger-miles from 785 million to 856 million.
- ▶ Closed the gap between revenues and costs, achieving a 52 percent revenue to cost ratio – up from 29 percent in 1990.
- ▶ Reduced our annual government funding by \$263 million, a total reduction of 60 percent in eight years.

VIA achieved these results without sacrificing a single part of the passenger rail network, and without compromising quality of service.

In fact, VIA is operating more trains, at a higher level of quality, than at the beginning of the 1990s.



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, 1998.

MARC LEFRANÇOIS
Chairman of the Board

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Chairman's Message



As Canada enters the last year of this century, VIA Rail Canada is ready to move into the new millennium and into a new era for passenger rail in this country.

In 1998, VIA met the challenge taken on in 1990, following the government's announcement of a series of permanent funding reductions as part of the overall drive to reduce the federal deficit. VIA has maintained and improved Canada's national passenger rail service, while eliminating \$263 million from its annual funding level – a reduction of 60 percent over eight years. It did so without any cutbacks to train services. In fact, VIA is running more trains now than in 1990 with a quality of service that is significantly improved.

VIA achieved these remarkable results by focusing on the fundamentals of operating passenger rail as a business. Sound financial management, productivity initiatives, and operating economies reduced costs. Improved service, and a clear focus on customer satisfaction, generated solid revenue growth. Strategic partnerships with the private sector have helped VIA to provide innovative, high quality products that respond to the needs of Canadian travellers and the imperatives of public funding.

In the process, VIA has transformed itself into a lean, efficient corporation, profoundly insightful about the business of passenger rail and able to apply that knowledge quickly and creatively in a fast-changing marketplace.

Our track record is clear. The people of VIA Rail Canada can be proud of the financial and operational results they have achieved.

Perhaps their greatest achievement is that they have demonstrated the potential of passenger rail when it is managed well. It is now possible for Canada to seriously consider the role that passenger rail may play in the future.

VIA's shareholder, the Government of Canada, has recognized VIA's excellent performance, and the expertise at VIA that drives such excellence. It has responded with a commitment to passenger rail, and the stable, long-term funding that will help take passenger rail into the next century. It has acknowledged the barriers to passenger rail's growth and has confirmed its resolve to develop solutions to overcome them.

To this end, VIA is working in concert with the government to develop a long-term strategic plan for Canada's national passenger rail service. The support and encouragement of our Board of Directors, which has contributed so much to the transformation of VIA Rail during the nineties, will be invaluable during the process of charting passenger rail's future.

Let there be no doubt. Passenger rail has a place in Canada's future. And there can be no question about the solid management expertise at VIA Rail that has made this possible.

Once the barriers holding back growth are removed – once the tremendous potential of passenger rail can flourish freely – that expertise is capable of carrying Canadians into the new century with one of the most modern, most efficient and most innovative passenger rail services in the world.

A handwritten signature in black ink, which appears to read "Marc LeFrançois". The signature is fluid and cursive.

MARC LEFRANÇOIS
Chairman of the Board

When I joined VIA Rail Canada this year, I had already heard about the “VIA Miracle” – the story of how this corporation has quietly transformed passenger rail transportation and become a model of responsible, efficient management in the public sector. It didn’t take long to discover the secret behind this miracle: the people of VIA Rail Canada.

Throughout my career, in both government and the passenger transportation sector, I have never met a team of people more dedicated, more professional, more passionate about their work. VIA’s people believe in passenger rail. They know the business of passenger rail. Day in and day out, they are determined to make it work. And it is this determination that has created the VIA story, a story of success beyond all expectations.

We added another chapter to that story in 1998. The year started off with a major challenge – the January ice storm that shut down the country east of Toronto and disrupted train services. That storm, followed by mild winter conditions across Canada, was responsible for an unexpected loss of revenue, and disappointing results for the first quarter. Despite this challenge, VIA was able to stay on track, to stay focused, and achieve yet another year of significant reductions to government funding.

We increased overall revenues by five percent for the year. And we continued to narrow the gap between revenues and costs. By the end of 1998, VIA’s revenue-to-cost ratio reached 52 percent, an impressive six-percent gain over 1997.

While we managed to continue VIA’s success, it also became increasingly clear that our ability to do so in the future will be severely limited without significant changes in the way that passenger rail services are funded and delivered in Canada. For example, the need to invest in our equipment and infrastructure is paramount. If we are unable to do so, performance will decline, and maintenance costs will start to rise dramatically. Inevitably, we will lose customers, as our ability to provide a consistent, high quality service is compromised.

Fortunately, 1998 also marked a major breakthrough towards building a more secure foundation for the future of passenger rail and, by extension, all public transportation in Canada. At the request of the Honourable David Collette, Minister of Transport, the Parliamentary Standing Committee on Transport completed a thorough review of passenger rail. In its report, the committee called for the revitalization of passenger rail, including more innovative, flexible ways to finance VIA’s equipment and services. →



President's Message

The government agrees. VIA is now working in unison with the Minister of Transport to develop a comprehensive, long-term strategic plan for passenger rail in Canada. This plan will address the key issues that need to be resolved, such as the need for stable funding, improved access to the tracks VIA shares with the freight railways, and more creative partnerships with the private sector in delivering quality service to Canadian travellers. I am confident that these issues can be resolved, so that passenger rail will not only survive, but grow, to meet the integrated transportation needs of Canadians in the 21st century.

In the meantime, VIA's immediate priority is to stay focused on the fundamentals of managing passenger rail – running a safe operation, enhancing our financial performance, and identifying opportunities for growth in 1999.

We will consolidate our ridership and revenue gains by continuing to improve the quality of our service. We will continue to look for ways to reduce costs. We will promote growth aggressively in key markets, especially business travel in the Corridor and domestic and international tourism on the eastern and western transcontinental services. We will pursue new business opportunities, such as providing a direct rail link to the Dorval air terminal in partnership with Aéroports de Montréal. We will continue to refine our new reservation system offering advance seat selection for coach travellers, and we will modernize VIA's call centres, ensuring the most efficient possible response to customers. And, as always, we will do this while maintaining safety as our corporate priority.

On all of our services – economy class and *VIA 1* in the Corridor, and our *Easterly* and *Silver and Blue* long distance services – we will continue to concentrate on delighting our customers with the high quality service people expect from VIA.

The year ahead promises to be a good one for passenger rail. The new century promises to be even better. We enter the new millennium with a solid, world-class track record, and a commitment to revitalize the very foundations of passenger rail for the future.

The people of VIA Rail Canada are ready. If we unleash their passion – the passion that has kept the train a vital, vibrant service in Canada – passenger rail will carry Canadians into the next century at full speed, achieving its full potential as a safe, modern, environmentally friendly and efficient answer to the transportation needs of the future.



ROD MORRISON
President and Chief Executive Officer

Staying

VIA entered 1998 knowing that it would be one of the most challenging years in our drive to become the best passenger transportation company in Canada.

- ▶ We had to reduce our total funding requirement by another \$50 million, in order to bring our funding down to \$178 million. This was one of the biggest single-year reductions yet since 1990.
- ▶ We started the year in the midst of critical labour negotiations to modernize collective agreements and working arrangements, including the implementation of our *New Era Passenger Operations* project. This initiative would fundamentally change the way trains had been staffed and operated for the past one hundred years.



Lyle Durocher

Operating passenger rail as a business.

- ▶ As a comprehensive review of train safety neared completion, we prepared to make changes in equipment, safety procedures and training to ensure that passenger rail continues to be the safest mode of transport available.

We were also looking beyond 1998 to the future. Achieving the funding reduction targets set in 1990 and establishing VIA Rail as a viable, competitive player in the marketplace was just the first step towards revitalizing passenger rail in Canada. Early in the year, the Minister of Transport asked the Parliamentary Standing Committee on Transport to help map out the next step: developing a long-term strategic plan to take passenger rail into the next century.

VIA participated in the Committee's consultations, and worked with the government following the Committee's report to articulate a practical vision for the future of passenger rail. At the same time, we stayed focused on the immediate challenges of 1998. We met those challenges by doing what we do best: managing the fundamentals of passenger rail as a business; giving our people the tools and resources they need to do their job well; making sure that every single customer can count on the safety, reliability and quality of service on our trains.



WEATHERING

THE UNEXPECTED

The year started out with a challenge no one anticipated – the worst ice storm in Canada's history, shutting down all train operations east of Toronto in January.

The disruption to train services had a negative impact on VIA's revenues. The loss was partly offset by increased ridership in September due to the Air Canada strike but we were unable to fully recover.

This, coupled with a delay in the implementation of productivity initiatives, made it difficult for VIA to stay within its initial 1998 funding requirements without reallocating internal funds.

Even at that, government funding was \$50 million less than in 1997 while VIA's total budget requirements were lower by \$16.8 million.

Focused



VIA PRÉFÉRENCE

We introduced our frequent user program –VIA

Préférence – in July 1996.

By the end of 1998, the program had attracted more than 200,000 members. Program partners include the Delta, Novotel and Radisson hotel chains, Hertz Rent-a-Car, and Bell Canada. The objective of the program – increasing ridership and revenue by attracting and retaining loyal customers – is on course, with each member averaging seven trips aboard VIA trains. Many members make over 40 trips.

BETTER SCHEDULES

In June, we adjusted our schedules in Southwestern Ontario to provide more convenient morning arrivals and evening departures at Toronto. As a result, we were able to adopt a shorter routing for our daily Toronto-Sarnia trains, saving travellers one hour in trip time. We also began work to upgrade interchange facilities in Smiths Falls, Ontario, which will reduce trip times between Ottawa and Brockville.

Sound

Our success in transforming VIA Rail into an efficient, commercially viable passenger transportation company is based on fundamentals: sound financial management, reducing and controlling costs, and pursuing every opportunity to generate increased revenues. In 1998, this focus on fundamentals continued.

Controlling Costs

We initiated a wide range of cost-saving measures this past year which will have a positive impact well into the future. More efficient purchasing practices, coupled with lower prices and reduced consumption as a result of service disruptions caused by the ice storm, lessened fuel costs significantly. Careful monitoring of train delays has, in addition to focusing attention on improving performance, reduced overcharges for track access. Improved on-time performance in the West resulted in lower costs for late trains. Better crew planning helped reduce costs through increased productivity.

Equipment maintenance expenses also declined, largely as a result of the launch of *Formula 6*, a program aimed at reducing costs and increasing revenues in VIA's maintenance centres. These facilities are "open for business" and, in 1999, VIA plans to take on more outside work and increase revenues – by marketing its equipment expertise more aggressively and by optimizing plant capacity.

The negotiation of new national collective agreements in July reinforced VIA's success, since 1993, in streamlining operating crew

In 1998, we added another chapter to the VIA success story.

duties, modernizing methods of pay, and enhancing training. The new agreements reached in 1998 will produce annual cost savings in excess of \$15 million, while improving customer service on board our trains.

Better Trains...

The three-year LRC car paint and repair program concluded this year not only helped to reduce costs, but provided our customers with modern, more comfortable transportation in the Corridor. We improved service and amenities, with significant enhancements to both our economy and *VIA 1* class service. *VIA 1* cars now have electrical outlets for passengers, and a more flexible seating configuration, to enhance productivity for business travellers. For economy class travellers, phones have been installed in all Corridor cars and long distance trains feature better lighting, pillows and blankets offered on-board and at-seat food service.

Man



Ronald Missonneau



A NEW FARE STRUCTURE...
We adjusted off-peak pricing in the spring of 1998, to increase revenue in markets where train capacity is at a premium. The maximum individual adult fare discount dropped from 40 percent to 25 percent one way or 35 percent round trip in the Quebec City–Windsor Corridor, and outside the summer peak season on eastern and western services. Seniors, youth and student fare plans continue to offer an additional 10 percent discount on VIA's best available fares.

INTRODUCING VIAnet
In October, we replaced our aging reservation system with VIAnet, a new, state-of-the-art, more user-friendly system that simplifies access by travel agents, provides full reservations and the potential for seat selection for all classes of service, and provides enhanced features for inventory and yield management.

Better Stations...

Work on major upgrades to our station facilities progressed throughout 1998. In August, renovations were completed at Montreal's Central Station to consolidate all VIA passenger services, including new baggage handling and ticketing facilities. We opened a new, modern station in Edmonton near the municipal airport, providing better access for passengers and greater visibility for VIA Rail. With the closing of the rail line at Lévis, we upgraded our station at Charny for its new role as our single station on the south shore of Quebec City.

Significant improvements in ticketing and baggage facilities at the Dorval station were completed in time for opening early in 1999. VIA also acquired property in London, the first step towards a major redevelopment project for which VIA will be seeking development partners.

Better Call Centres...

A comprehensive review of our telephone service operations, launched in 1997, continued in 1998. Designed to ensure that VIA's Call

Centres are equal to the best in the business, the review has already produced new performance standards and management procedures aimed at improving service and increasing revenues generated through telephone sales. A second phase of the review will address hours of operation, call treatment and automation, and the development of new technologies such as new interactive voice response systems.

Better Reservations...

VIA Rail has been a leading innovator in handling reservations. We were the first ground transportation company to offer reservations through the airline systems used by travel agents. VIA's Internet site was the first by a railway company in the world to offer self-booking through a direct interface with the main reservation system. This feature will be revamped to make it compatible with VIA's new reservation system. We are also offering passengers located outside major centres more access to ticketing by mail.



PARTNERSHIP MARKETING
VIA continued its success in partnership marketing throughout 1998.

- In partnership with Amtrak in the U.S., VIA now markets the first North American rail pass, valid for travel throughout Canada and the United States.*
- The Rediscover Canada with VIA Rail Sweepstakes, in partnership with Home Hardware and the Canadian Tourism Commission, helped us attract new customers through the hardware chain's 950 retail stores across Canada.*
- Our third year of partnerships with some 60 Chambers of Commerce and Boards of Trade throughout the Corridor helped stimulate ridership from local small businesses and developed a greater awareness of VIA's role in local communities.*

Innovative

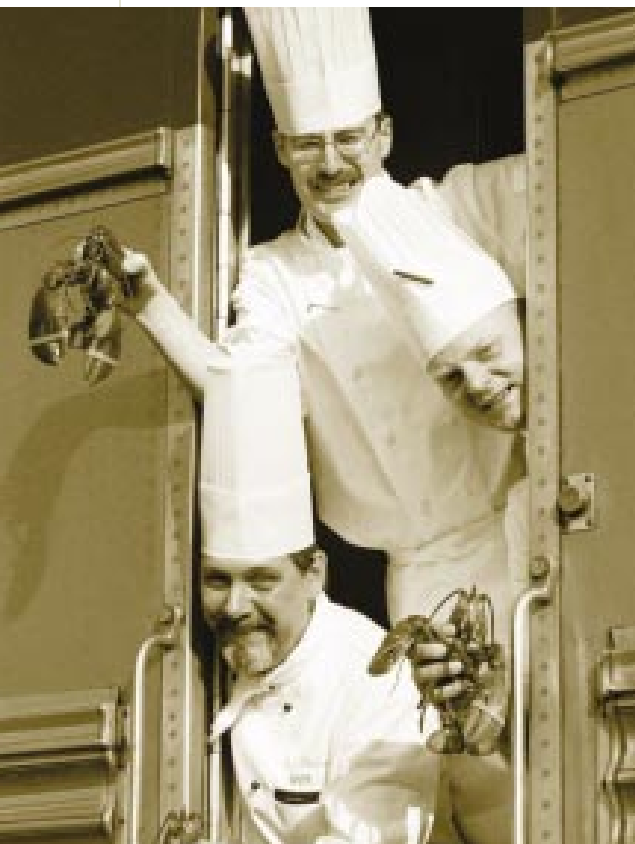
The people of VIA Rail are the key to our success in revitalizing passenger rail. Efforts to reduce costs, increase revenues, and provide customers with the highest quality of service would be futile without the committed effort of a dedicated, highly professional team determined to make VIA Rail the best in the business.

As a team, we strive to create an environment where that commitment can flourish, where innovation is rewarded, and every employee is given the support, training and encouragement needed to help VIA achieve its goals.

Dedicated, professional, passionate. VIA's people know the business of passenger rail.



John Sherlock



John Shenck

Since 1993, VIA has worked with its unions to modernize outdated collective agreements. Significant cost savings have been achieved through the merger of shopcraft unions, changing the method of pay for running trade employees from a mileage to an hourly basis, rationalizing customer service staff and reducing the number of employees eligible to receive employment security. Further progress was made in 1998, with the year's round of negotiations being completed in record time. Agreements in 1998 ensured greater flexibility when introducing operational changes by including, for the first time, a cap on employment security payments.

New Era Passenger Operations

The main focus of negotiations, however, was the implementation of the *New Era Passenger Operations* initiative (*NEPO*). This project

represents a milestone in the history of Canadian passenger rail, fundamentally changing the way trains have been crewed for more than 100 years.

Under *NEPO*, we have merged the conductor and assistant conductor positions with the locomotive engineer position. All customer-contact responsibilities are now assigned to on-train services staff, who are under the supervision of a single customer service manager for each train. Our trains are now staffed by fully integrated teams, dedicated solely to giving our customers high quality service from start to finish.

An additional 81 Service Manager positions provide the focus for new team-building efforts to improve service planning and delivery.

VIA will realize savings of \$15 million annually as a result of *NEPO*.

Building New Skills

Training was a major focus for VIA throughout 1998. As a result of major initiatives during the year, 2,000 front-line employees received training to ensure that they had the right skills to take on new tasks.

All on-train staff received training to prepare for their new responsibilities under *NEPO*. With the introduction of the new VIAnet reservation system, 643 customer contact personnel were trained to take advantage of the new system's capabilities. Five weeks of entry-level training was offered to 160 new recruits, while 200 car inspectors and locomotive engineers received technical certification training.

Training focused on improving customer service continues to be a priority. VIA's *Achieving Excellence in Customer Service (AECS)* program, a two-day workshop, was reinforced in 1998 by a follow up program called *Keeping the Skills Alive (KSA)*. As part of the *NEPO* transition, all train operating and on-train employees completed between two and eleven days of training on their new duties and emergency response procedures.

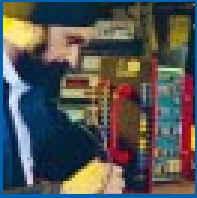


FORMULA 6 FUELING

OUR FINANCIAL SUCCESS

In March, Equipment Maintenance staff launched Formula 6, a two-year program aimed at reducing costs and increasing revenue. The program has generated a wide range of initiatives such as recycling of materials, measures to reduce energy consumption, more efficient inspection and maintenance scheduling, and streamlining maintenance and service practices. In addition, Formula 6 has identified new revenue-generating opportunities to maximize the return on labour and plant facilities.

By the end of the year, Formula 6 had surpassed its 1998 target of \$3 million, delivering a remarkable \$3.2 million in cost savings and increased revenues.



MANAGING SAFETY AND THE ENVIRONMENT

To continue its emphasis on optimizing the safety of its operations, VIA began work on a comprehensive safety management system last March that it plans to have in place before the end of 1999.

Such programs may soon become a legal requirement for all railways, likely by the fall of 2001, following proposed amendments to the Railway Safety Act tabled by the federal government in 1998.

VIA is also developing a corporate environmental management system that it expects to launch in 1999.

Focus

As always, we will maintain safety as our corporate priority.

Following the Biggar, Saskatchewan, derailment in September 1997, VIA contracted two of the world's foremost rail safety experts to conduct a full review of safety at VIA. Their report in March 1998, along with interim recommendations from the Transportation Safety Board and the Board's final report in September, provided confirmation of our safety values in all aspects of our operations.

To sustain our emphasis on safety, we have created a new senior-level Director of Safety, Health and Environment position reporting to the President, to ensure that safety issues continue to be identified and addressed as a corporate priority. We have also established an Executive Safety Council and, in partnership with our unions, a National Safety Council which allows employees to take part in guaranteeing safety for our customers and for the people who work for VIA Rail.

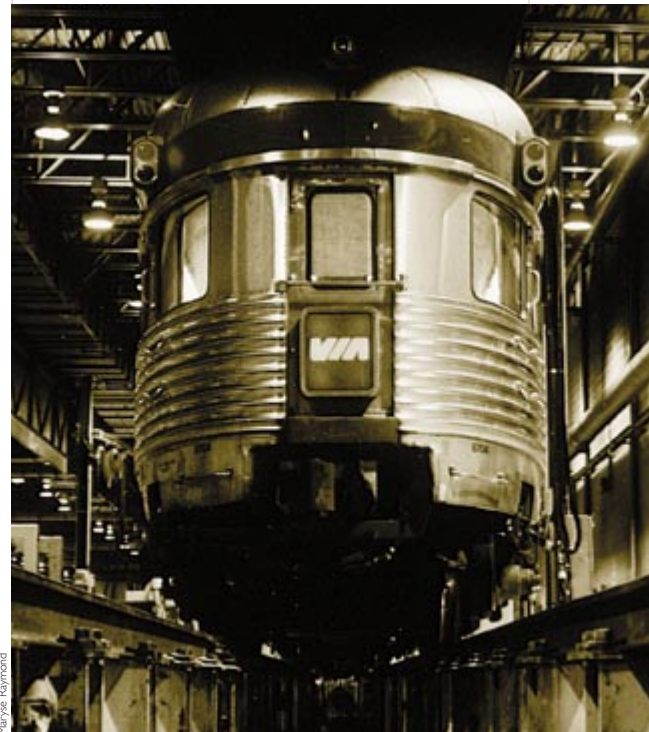
A review of emergency handling procedures and equipment has been completed. Most train cars are fitted with multi-trauma kits. Emergency lighting systems that meet a very high safety standard and safety and emergency signs are in place on our trains.

In addition, axle bearing temperature detection and cab warning systems are installed on over 90 percent of VIA locomotives with the remainder to be completed in 1999. An air-only

braking system has also been installed on all LRC cars, providing an above-standard margin of safety for higher-speed operations in the Quebec City-Windsor corridor.

Training for Safety

All on-board staff have continued emergency response training, included as part of the NEPO training program. In addition, Qualified Technical Trainer positions to support classroom training for all locomotive engineers are in place. This training includes a comprehensive core syllabus covering safety procedures, technical and mechanical features of VIA's equipment, and operating rules and radio communications. Certification procedures ensure that all engineers are qualified and familiar with all aspects of their operations.



Maysee Raymond



Marjose Raymond



VIA AND Y2K

VIA, like every corporation, depends on computers in every aspect of operations. We launched our Year 2000 compliance project in the spring of 1996, and we are on track to ensure compliance on time.

It is a major undertaking, involving 90 mainframe, desktop and communication software applications, 570 desktop computers, 46 servers, telephone switches and a host of embedded systems.

Ensuring Y2K compliance also gives us an opportunity to upgrade and standardize our technology throughout the corporation. We expect to have completed testing and guaranteed compliance by the end of the third quarter of 1999.

These procedures include recurring 10-day retraining courses every three years.

VIA is also preparing to meet a number of certifications from the International Standards Organization (ISO). Beginning with the Equipment Maintenance department, we will seek ISO 9000 certification by developing quality standards, principles of process management and control, and regular compliance testing. The application of ISO quality standards is a continuing independent measure against which VIA's safety policies and standards can be

evaluated, showing through objective, unbiased means that VIA remains among the safest passenger railways in the world. As part of our corporate environmental program, we are also applying ISO 14000 standards to all environmental management activities within Equipment Maintenance. By applying these standards to such activities as recycling materials and handling toxic substances, we are committed to ensuring that passenger rail remains the most environmentally responsible transportation option for travellers in Canada.

on Safety



IMPROVING OUR PRODUCT

While reducing costs is important, it is only part of the challenge at VIA. It goes hand in hand with efforts to increase revenues by continually improving our product and enhancing the quality of our service and getting more people on our trains.

The

VIA is ready to move into a new era for passenger rail.

VIA is preparing to take Canada's passenger rail service into the next century. In response to the Standing Committee on Transport's recommendations for the revitalization of passenger rail, we are working with the government to develop a long-term strategic plan for the future. This plan should be in place by the end of 1999.

It is likely to change, fundamentally, the way passenger rail is funded and delivered in Canada. The Minister of Transport has indicated that the government is ready to explore new, innovative ideas such as different ways to partner with the private sector in order to ensure that passenger rail will grow and prosper to meet the needs of Canadians.

These are exciting times for VIA. We are eager to do all we can to move passenger rail forward.

In the meantime, we will concentrate on the strategy that has already transformed the corporation into a viable, commercially focused organization managing the fundamentals of passenger rail as a business. In 1999, this means building on what we have accomplished, and taking advantage of new business opportunities.



Julie Durocher

We will introduce new frequencies between Ottawa and Montreal early in the new year, offering same-day return passengers more options and introducing *AirConnect* service to make it simpler than ever for Ottawa-area travellers to transfer to international flights at Dorval International Airport via a simple train-airport shuttle connection.

We have already begun exploring options for providing direct service links into the airport terminal. We believe there is a real opportunity for business growth by providing such intermodal connections and that passenger rail could serve as the catalyst for a truly national, intermodal passenger transportation network.

We will be working closely with Canadian National to build a new, mutually beneficial partnership that will ensure VIA's access to CN tracks for additional trains and help us achieve the consistent on-time performance our customers demand.

In all of our activities, we will continue to seek new ways to run our business better, to improve safety, to enhance service, to reduce costs, and to maximize revenues in all of our operations. Because we know that whatever the future holds, it holds a place for a dynamic, expertly managed passenger rail service – the passenger rail service VIA Rail is determined to provide for Canadians.

Future

The year at a glance

These key financial indicators and operating statistics summarize the performance of the corporation with 1990 representing the first year of the current passenger rail network.

KEY FINANCIAL INDICATORS

(in millions of dollars)

	1998	1997	1996	1995	1994	1993	1992	1991	1990
* Cash operating expenses	382.6	386.5	389.8	397.3	438.5	485.2	487.1	478.1	493.3
Total operating revenue	200.2	190.5	184.5	175.0	176.4	164.2	155.8	150.1	142.8
Government funding for:									
** Operating expenses	167.2	196.0	205.3	222.3	262.1	321.0	331.3	328.0	350.3
** Capital expenditures	-	16.4	20.7	39.6	25.3	11.8	44.7	40.1	31.5
Reorganization charges	11.2	16.3	19.2	33.5	30.8	15.3	12.9	24.7	59.7
Total Government funding	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 (%)	52.3	49.3	47.3	44.0	40.2	33.8	32.0	31.4	28.9
Total passengers carried (000's)	3,646	3,765	3,666	3,597	3,586	3,570	3,601	3,633	3,536
Total passenger miles (000,000's)	856	884	892	859	834	820	817	820	785
Government operating funding per passenger mile (cents)	20.8	24.0	25.2	29.8	35.1	41.0	42.1	43.0	52.2
Train miles operated (000's)	6,325	6,482	6,472	6,219	6,524	6,515	6,483	6,247	6,365
Car miles operated (000's)	42,068	41,242	40,491	37,100	36,351	35,861	35,993	35,890	35,767
Average passenger load factor (%)	56	58	59	61	60	59	57	58	57
Average number of passenger miles per train mile	135	136	138	138	128	126	126	131	123
On-time performance (%)	81	84	84	86	87	90	90	90	88
Number of employees at year-end	2,952	2,969	3,000	3,178	3,718	4,131	4,478	4,402	4,525

* Cash operating expenses exclude amortization of properties and reorganization charges.

** Asset Renewal Fund drawdown of \$33.5M including \$18.3M for capital expenditures and \$15.2M for operating expenses as disclosed in note 6 of the Financial Statements.

(seated l to r): John Marginson, Vice-President, Equipment Maintenance; J. Roger Paquette, Vice-President, Planning and Finance, and Treasurer; and Mike Greenberg, Vice-President, Procurement and Real Estate.

(standing l to r): Marc LeFrançois, Chairman of the Board; Christena Keon Sirsly, Vice-President, Marketing and Information Services; Rod Morrison, President and Chief Executive Officer; Paul Côté, Vice-President, Customer Services; Michael Gushue, Vice-President, Business Development and Corporate Affairs; and Steve Del Bosco, Vice-President, Service Delivery.

Corporate Directory

as at December 31, 1998

VIA OFFICE LOCATIONS

Headquarters and Quebec

2 Place Ville Marie
Montreal, Quebec
H3B 2C9
(514) 871-6000

Postal address:

P.O. Box 8116, Station A
Montreal, Quebec
H3C 3N3

Atlantic

1161 Hollis Street
Halifax, Nova Scotia
B3H 2P6
(902) 494-7906

Ontario

65 Front Street West
Room 222
Toronto, Ontario
M5J 1E6
(416) 956-7600

West

104-123 Main Street
Winnipeg, Manitoba
R3C 1A3
(204) 949-7400

1150 Station Street
Vancouver, B.C.
V6A 2X7

(604) 640-3700

Web site

www.viarail.ca

Board of Directors

Michel Biron, Nicolet, Quebec
Greg Black, Bracebridge, Ontario
Jacqueline L. Boutet, Montreal, Quebec
Francine Chad Smith, Regina,
Saskatchewan
Alan Chapple, Toronto, Ontario
Anthony Friend, Q.C., Calgary, Alberta
Mary Barbara Kane, Halifax, Nova Scotia
Yvon LeBlanc, Bouctouche, New Brunswick
Marc LeFrançois, *Chairman of the Board*,
Montreal, Quebec
Jeffery Lyons, Q.C., Toronto, Ontario
Robert Matteau, Grand-Mère, Quebec
Marlene McGraw, Brantford, Ontario
Rod Morrison, *President and Chief
Executive Officer*, Montreal, Quebec
Donald Pettit, Vancouver, British Columbia

Officers

Marc LeFrançois, *Chairman of the Board*
Rod Morrison, *President and Chief Executive
Officer*
Paul Côté, *Vice-President*, Customer Services
Steve Del Bosco, *Vice-President*, Service
Delivery
Mike Greenberg, *Vice-President*, Procurement
and Real Estate
Michael Gushue, *Vice-President*, Business
Development and Corporate Affairs
Christena Keon Sirsly, *Vice-President*,
Marketing and Information Services
Carole Mackaay, *General Counsel and
Corporate Secretary*
John Marginson, *Vice-President*, Equipment
Maintenance
J. Roger Paquette, *Vice-President*, Planning
and Finance, and Treasurer

Committees of the Board

Executive Committee

Marc LeFrançois, *Chairman*
Anthony Friend, Q.C.
Robert Matteau
Rod Morrison

Human Resources Committee

Donald Pettit, *Chairman*
Greg Black
Francine Chad Smith
Mary Barbara Kane
Jeffery Lyons, Q.C.

Planning and Finance

Yvon LeBlanc, *Chairman*
Michel Biron
Greg Black
Jacqueline L. Boutet
Anthony Friend, Q.C.
Mary Barbara Kane

Investment Committee

Jeffery Lyons, Q.C., *Chairman*
Francine Chad Smith
Alan Chapple
Anthony Friend, Q.C.
Yvon LeBlanc
Robert Matteau
Marlene McGraw

Audit Committee

Anthony Friend, Q.C., *Chairman*
Michel Biron
Jacqueline L. Boutet
Alan Chapple
Robert Matteau
Marlene McGraw
Donald Pettit