



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.

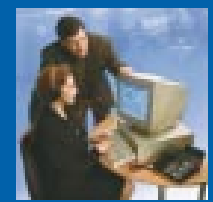
Better Trains...

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.