

Message from the Board of Directors



As Canadians look to future challenges, it will be critical to ensure that all parts of the transportation infrastructure are used in the most effective way possible.

In a country as vast as Canada, good transportation has always been critical to the well-being and prosperity of the nation. Today, as Canada takes its place in the 21st century as an increasingly urbanized nation, with one of the world's most modern, globalized economies, our transportation system faces new challenges. Passenger rail is contributing to efforts to address those challenges.

Along some of our most congested transportation corridors, frequent travel is becoming a basic fact of life for more Canadians. And Canadians are increasingly looking to passenger rail to provide an alternative to overcrowded highways and airports; an alternative that is efficient, environmentally sustainable, and especially attractive for medium-distance travel. Even in 2003, one of the worst years on record for the travel and tourism industry, the demand for passenger rail relative to other modes of transportation was strong.

Almost every business in the transportation and tourism industry suffered declines in revenue in 2003, following a combination of market events rarely, if ever, seen before. VIA was no exception. However, in key markets, where pressures on the transportation system are greatest, VIA bucked the trend and grew both market share and revenues. For example, VIA achieved significant revenue growth for services between Montreal and Ottawa, while in the Quebec City - Windsor Corridor as a whole, VIA's share of the public mode travel market grew by more than four per cent.¹

Market research confirms that Canadians see a dynamic passenger rail service as a reasonable solution to their transportation needs, improving access and choice for travel. A report prepared for VIA in 2003 showed that 92 per cent of those surveyed favour the "expansion and improvement of passenger rail services."²

Since 1990, VIA has continuously improved the quality of Canada's passenger rail service, consistently earning high ratings for customer satisfaction. At the same time, VIA has steadily lowered the cost to government of operating the service. In 2003, when market conditions produced the first year-over-year decline in revenue in more than a decade (1995 excepted) VIA was able to minimize this setback by implementing rigorous cost-cutting measures.

1 — Pollara — Continuous tracking telephone survey (Toronto, Montreal, Ottawa, Quebec City), 4th quarter 2003
2 — Pollara — Public Opinion Survey, January 2003



If VIA is to meet the growing demand for more train services, while continuing to reduce funding costs, the corporation must stay focused on increasing revenues and investing for long-term growth. This will require not only VIA's excellent on-board service, but more frequent trains, faster trip times, and reliable on-time performance. More frequencies, higher speeds and reliable performance depend, in turn, on investing in the infrastructure capacity needed to operate modern, faster passenger trains.

At present, there is almost no capacity to improve the speed or frequency of train services in the Quebec City - Windsor Corridor. This severely limits VIA's ability to continue growing revenues and, in so doing, reduce funding costs. Even more disturbing is the fact that increasing freight traffic on this infrastructure, which is largely owned and managed by Canadian National, has started to *reduce* capacity for passenger trains, making it increasingly difficult for VIA to deliver existing services on schedule.

On-Time Performance	2001	2002	2003
Quebec City - Windsor Corridor	86%	85%	73%
Montreal - Halifax	86%	81%	69%
Toronto - Vancouver	71%	72%	61%
Total VIA system	85%	84%	73%

A decline in on-time performance for passenger rail which started in 2001 reached alarming proportions in 2003. This decline is due largely to the growing number of longer, slower freight trains which cause frequent delays in passenger operations. Since on-time performance is critical for maintaining customer loyalty and attracting new customers, this trend will seriously undermine VIA's performance if it is not addressed quickly.

As Canadians look to future challenges in maintaining an efficient, reliable transportation system at a reasonable cost, it will be critical to ensure that all parts of the existing transportation infrastructure are used in the most effective way possible. In areas where passenger rail can contribute most to meeting those challenges, investment in appropriate infrastructure for faster, more frequent and convenient passenger rail services should be considered a wise and responsible choice.

VIA is mindful of the stewardship responsibilities it holds on behalf of the Government of Canada and Canadian taxpayers, to manage Canada's national passenger rail service. Canadians expect the corporation not only to ensure full accountability for results already achieved, but to provide leadership in shaping a service that meets future needs. To this end, the Board undertook a number of initiatives to ensure that it can provide sound guidance and strategic direction to the corporation, following a review of corporate governance practices in 2002. These initiatives are described more fully in this report. In addition, this report includes a more comprehensive discussion and analysis of VIA's operations than in previous annual reports.

It is hoped that this discussion will provide Canadians with a clear picture not only of the challenges VIA faced during the year gone by, but the opportunities for further improving their passenger rail service to meet the needs of travellers in the years ahead.