



Speaking Notes

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SPEECH GIVEN BY PRESIDENT AND CEO OF VIA RAIL CANADA, PAUL CÔTÉ,
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HELD IN THE BALLROOM OF THE DELTA BEAUSEJOUR HOTEL
- CHECK AGAINST DELIVERY -

Managing the customer experience at VIA Rail

Good afternoon.

When I took the job as VIA's President three and a half years ago, customer-focus was at the top of my mind.

VIA was beset by all kinds of challenges – challenges that seemed to imperil more than a decade of progress for passenger rail across Canada.

We had just suffered our first setback in performance, after years of market and revenue growth. In 2003, travel and tourism markets jolted – hurricanes in the East, forest fires in the West, worries about health risks like SARS, concerns about security that had their roots in the events of 9/11. All these dramatic events combined to make 2003 one of the worst years on record for the industry.

Demand for travel services dropped suddenly – for many operators, dramatically - and things did not get any better in 2004.

As a result, the people at VIA seemed to lose the focus we needed to meet our key business challenges.

My colleagues and I knew that to succeed, we had to get our focus back on the customer.

Why? For two reasons.

First, we needed to focus on what sets passenger rail apart as a business – the unique travel experience we can provide our customers – one that no other travel option can deliver. Passengers on-board our trains can make more productive use of their time thanks to WiFi access. Or they can simply sit back and relax in a comfortable setting. We call it the human way to travel.

Second, in a market that had seen little growth over the past five years, there was really just one way to make our business grow – by increasing the value of that experience to our customers. Our

success as a business depends on understanding how and why customers value that experience – and delivering an experience that consistently matches and surpasses expectations.

That was our focus. Since then, ridership and revenue have climbed steadily. Last year alone, over 4 million passengers travelled on VIA trains.

Today, VIA Rail is moving forward as a customer-focused organization. I'd like to talk about what we mean by saying the customer is at the centre of everything we do – and why this is right for passenger rail.

First, some background. VIA operates Canada's national passenger rail service on behalf of the Government of Canada – a service that connects people and communities from Halifax to Vancouver, and north to Hudson Bay.

Our 3,000 employees are dedicated to ensuring that our trains – close to 500 a week – run smoothly over 12,000 kilometres of track connecting some 450 communities across Canada.

In Eastern Canada, VIA trains provide service locally and between here and Central Canada and are managed by VIA's Eastern Service Team, made up of representatives from across the region. This team is responsible for developing, marketing and delivering services in partnership with the people, communities and businesses served by passenger rail.

The Ocean serves Moncton and is the longest-running train service in VIA's entire network. It celebrated 100 years of continuous service in 2004. Today, the Ocean travels the same 800-mile route along the St. Lawrence River, through the Matapedia Valley, and linking the cities of Campbellton, Moncton, Truro and Halifax that it did a century ago.

Recently, in response to changing travel trends, we introduced the Maritime Learning Experience on board this flagship train, complete with educational activities and entertainment that puts the spotlight on the Maritime products. It runs from June to October.

In other parts of the country, VIA trains respond to different local requirements.

In the Quebec City-Windsor corridor, our trains provide intercity passengers with fast, convenient, comfortable and affordable service, downtown-to-downtown, between Canada's largest business centers.

In Western Canada, we provide year-round, all-weather intercity transportation. As Canada's national passenger rail service, we provide transportation to rural and remote areas to meet regional and commuter needs.

Tourism and leisure train travel are also part of the VIA mix. Over 600,000 people work in the tourism industry in Canada. Transportation alone accounts for more than 80,000 jobs. VIA has

recognized the great potential of this industry and its active support of this market, by offering novel products and services. We bring new growth potential to tourism partners nation-wide.

This is important because, beyond providing these services to the country, a major part of our mandate is to reduce the costs to taxpayers of Canada's passenger rail service. We do this by increasing revenues, controlling and reducing operating costs and improving cost recovery whenever possible. We take this responsibility very seriously.

In fact, this is an area where VIA Rail has established an exceptional track record. I've spent my entire career in passenger rail, and I'm proud of VIA's track record, especially how we have transformed the business in the last 15 years.

During the 1990s, we completely changed the way passenger rail was managed in this country. We restructured the organization, cut overhead by 65 per cent, increased productivity, and modernized our equipment and stations. We improved existing services. We developed new travel products in touch with the marketplace. We provide special trains such as our wine train, and our War bride train.

Year after year, we increased ridership and revenue, while government funding was reduced dramatically.

It was hard work – and like any major reorganization, it often required some difficult, even painful adjustments.

But you know what they say – no pain, no gain. By 2002, we were delivering a higher level of service, a higher quality of service, at less cost to the taxpayers than ever before.

After the events of 2003, the world changed.

Customers have higher expectations about the kinds of travel services available, and how travel fits into their lives. There has been a major restructuring in the travel industry, with more intense competition and price wars in the marketplace. Windows of opportunity to identify and respond to market shifts are smaller, and shorter than ever. The costs of operating rail passenger service – especially fuel costs – keep rising.

These are the challenges we were facing when I became President – I knew that we could not meet those challenges unless, once again, we took a hard look at ourselves and changed.

We asked ourselves a key question: how do we stand out from the competition?

By delivering a different kind of travel experience for our customers. That experience is fundamental to our competitive advantage, and to recapturing our momentum for revenue growth. So we decided to pay a lot more attention to how we manage the customer experience.

Now, I'm not saying that we were doing a bad job at customer service before – far from it.

But managing the customer experience is something different. It means taking our focus on customers to a new level, building a relationship with customers that goes beyond a face-to-face contact when they board our trains.

It means engaging with our customers to understand what motivates them to choose passenger rail.

It means rethinking our business from our customers' point of view – and then aligning our people, our business processes, and our services to deliver the kind of experience our customers value. And delivering that service consistently, every time passengers board a VIA train.

That focus has become the core of our business strategy at VIA Rail. It has even changed how we think about the business we are in.

Our mission statement used to mention providing safe and efficient travel services. Of course, we still do that. But our mission today is to provide travel experiences that anticipate the needs and exceed the expectations of our customers.

We reflected on the values that we bring to our mission as an organization. Three values are fundamental to us: customer focus, respect, and passion.

We defined customer focus as our core business value –always innovating to provide them the best travel experience at the best value for money.

We recognized that strong relationships can only be built on trust. We defined respect as a core value that expresses how we do business with people and the communities we serve.

And we recognized that a relationship with our customers can be strong only if it is built on a passionate commitment. Passion for the success of passenger rail. Passion for the role we can play in the social, economic and environmental development of Canada.

Passion is vital. Strong customer relationships are human relationships. They depend on creativity, innovation, and caring – the attributes that our people bring to the job.

You can't simply command people to be passionate, creative and caring – just as you can't command customers to be loyal.

You have to earn that kind of dedication from people – by demonstrating integrity in management, by showing respect, by engaging the talents of your people in focusing on the customer. Engaging our people is part of what it means to keep the customer at the centre of everything we do.

We have improved the way we communicate with our employees, how we involve them in decision-making, how we draw on their talent to make our customer-focus come alive.

We are aligning the tremendous talent of VIA's people with our focus on the customer. We identified the core competencies that VIA needs to succeed – the talents that build and strengthen customer relationships, such as listening and creative problem-solving.

We've built those talents into the way we hire, train, evaluate and reward our people. We have just recently begun a new cultural shift – to identify and build upon our customer service successes – through coaching and positive feedback at all levels of the organization.

And in doing this, we are building a team of people who are not only very good at what they do, but who are passionate about doing it well.

We have reorganized our whole company – our people, resources and business processes – to focus that passion more precisely on managing the customer experience.

A new Chief Customer Officer integrates all people and processes that contribute directly to the customer experience. Our Chief Customer Officer ensures executive accountability for managing that experience consistently.

In this way, we have forged the entire process of developing and delivering the customer experience into a single, unbroken chain. By understanding the marketplace and the needs of our customers. By developing, marketing and delivering services that anticipate and exceed customer expectations.

New, direct links between customer expectations, product development and service delivery have 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 and creating loyalty and repeat business, 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 on a dozen teams with different concerns – from operations planning to official languages – but with a common focus – the customer experience.

These teams give a framework for the collaboration and teamwork necessary to manage the complete customer experience. They comprise not only the “front-end” of the customer experience – where face-to-face interactions take place – but all the internal processes that make that experience possible, from equipment maintenance to administration.

Cross-functional teams are able to 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.

We have even moved beyond advertising and promotion to marketing customer value, so that the marketing process itself has become an integral part of how we manage the customer experience.

We are taking time to understand who our customers are, what they value, what motivates their loyalty, so that we can market passenger rail more effectively – reaching the right people, with the right message.

Marketing campaigns emphasize what sets us apart – the “human touch” that creates the passenger rail experience our customers value most.

We are building on VIA Préférence – our successful program that rewards loyal customers.

We provide customers with a convenient online experience when seeking information about our services or purchasing tickets. We provide the human touch in guiding people who navigate our web site or look for answers to more complex human needs like travelling with a family of four kids.

We are creating better, stronger relationships with our business partners – tour operators, travel agencies, and others. By establishing our role as a trusted business partner, we are able to deliver a consistent, high-value service to them and to their customers.

Trust is fundamental in our relationships with our customers. Without it, everything else I’ve talked about – corporate values, aligning resources, marketing – becomes hollow.

We have to earn our customers’ trust. We do this not only by meeting their expectations consistently on board our trains, but by recognizing our responsibility as a corporate citizen, and as the operator of Canada’s national passenger rail service.

We believe we have a responsibility to the communities we serve, and to all the communities within those communities, whether they are seniors, students or people with disabilities.

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.

I want to emphasize that 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 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.

In this and other ways, we demonstrate our conviction that passenger rail has important contributions to make to the social, economic and environmental development of Canada.

Let me illustrate what this means for Moncton. This city has traditionally been the hub of the Maritimes and the nerve center for railroad operations in this part of Canada.

To this day, the City of Moncton is committed to social and economic development and VIA is proud to have an established presence here. We employ over 100 people who operate one of our two call centers in Canada. We rely on assets such as Moncton's dedicated bilingual work force and this city's mindset of fostering customer-oriented service to attract visitors.

In fact, I applaud the City's public commitment of "Delivering quality services to its citizens and fostering an environment for its community to prosper" as outlined in its strategic plan. We too believe strongly in these principles which lead to a thriving community – one in which we continue to play an active role.

In 2002, we invested \$1.5 million to create a train station here in Moncton that would better accommodate passengers travelling through this hub, and which also includes a new telephone reservations and sales centre. And speaking of local investments, we recently invested more than \$200,000 at a Moncton-area company, Industrial Rail Services, to rebuild VIA's fleet of rail diesel cars.

On a slightly different note, last November, one of our trains made a special stop here. You may recall that some 60 war brides from the area boarded a special train in Moncton to celebrate the year of the war bride at Pier 21 in Halifax. The citizens of Moncton were on hand to see them off.

This special train was initiated by a group of VIA employees based here in the Maritimes.

These are great examples that show that our business is all about people who care about people.

Like you, we know that our customers care about the environmental impact of the choices they make. We work hard to make sure that passenger rail remains the most environmentally sustainable choice in public transportation.

We have made annual environmental goals a key part of our business planning process. And we are consistently improving our environmental performance. We have reduced fuel consumption by 25 per cent per passenger kilometre. We have adopted green procurement policies. We encourage employees throughout the Corporation to develop new recycling programs. We support and engage in events that reflect our concern for the environment.

We partner with other organizations in promoting a wide range of cultural and social causes that are important to our customers and that support our business. For example, today VIA serves only fair trade coffee on board its trains.

And we ensure that as a corporation, and as individuals, we conduct our business with honesty and integrity – adopting a Code of Conduct which sets out clear standards to which we hold ourselves accountable.

We are continuing to evolve as a customer-driven business – focusing on the customer's experience, engaging our people and resources to exceed customer expectations, measuring the results, and reinforcing what works.

And that has helped us to launch some of our most innovative products ever.

- We introduced an entirely new concept in rail travel with our Easterly Class service – a learning experience travelling through the Maritimes which has received exceptionally high ratings from customers.
- We became the first passenger service in North America to make Wireless Internet access available to our customers, with access fully implemented on all our trains and major stations in the Windsor-Quebec City corridor.
- In January, we worked with our Western tourism partners to launch the Snow Train Express, a new winter service between Edmonton and Jasper, and we are finalizing plans to introduce a new tourism experience on our service between Winnipeg and Churchill this summer.
- We have established new partnerships to enhance rail travel for customers traveling to Niagara Falls, like the Niagara region wine experience.
- We have refined our Totem class experience for customers travelling through northern BC. And we are fine-tuning our Western transcontinental service to better meet today's customer expectations.

The Windsor-Quebec City corridor accounts for the lion's share of our business. Traffic represents 90 per cent of VIA's volume or more than 3.5 million passengers per year. VIA's total network connects 450 communities with close to 500 trains every week.

The results show that our effort to focus on, engage and improve the customer experience works.

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.

For two years in a row, consumer studies have named VIA Rail the industry leader in customer service excellence, well ahead of our competitors.

All of this adds up to a better customer experience, and better performance for passenger rail. We were pleased that this was confirmed by the most recent Léger Marketing Survey. While these results apply only to Quebec, we're hopeful that the national survey results, due out later this spring, will contain similar good news. The survey results rank VIA as the most admired transportation company, and one of the top 30 most admired companies overall.

We achieved our highest yearly revenue growth ever, and carried a record number of passengers in 2005. 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.

And 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.

And I am no different. I too believe passionately in the potential of passenger rail. It is a mode capable of moving great numbers of Canadians efficiently and effectively.

Rest assured that we are actively discussing the needs and the next steps for VIA and for passenger rail in Canada with our shareholder --- the government of Canada.

But talk about the future is 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 about what we could become.

I am confident that our strong focus and commitment will keep Canada's national passenger rail service moving forward in 2007, and in the years ahead.

I thank you for being here today. I look forward to coming back some time soon.