People Moving People

Annual Report | 2004

TABLE OF CONTENTS

LETTER TO THE MINISTER OF TRANSPORT

The Honourable Jean-C. Lapierre, 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, 2004.

Paul Côté

Paul Côté
Interim President and Chief Executive Officer
and Chief Operating Officer

THE YEAR AT A GLANCE

The following key financial indicators and operating statistics summarize the performance of the Corporation for the year 2004 with comparative data for the years 2000 to 2003.

	2004	2003	2002	2001	2000
Key financial indicators (IN MILLIONS OF DOLLARS)					
Total revenue	**259.5**	250.3	270.8	253.8	240.7
Cash operating expenses (1)	**444.6**	431.4	424.2	416.9	410.6
Capital Expenditures	**20.2**	77.4	98.4	146.7	45.9
Government funding:					
Operating	**177.4**	181.1	153.7	163.3	170.3
Capital	**20.2**	82.4	103.4	151.7	45.9
Total Government funding (2)	**197.6**	263.5	257.1	315.0	216.2
Key operating statistics (3)					
Revenue/Cash operating expenses ratio (%) (1)	**58.9**	58.5	64.5	61.5	59.5
Total passengers carried (IN THOUSANDS)	**3,887**	3,789	3,981	3,865	3,795
Total passenger-miles (IN MILLIONS)	**851**	857	948	921	904
Government operating funding per passenger-mile (IN CENTS)	**20.8**	21.1	16.2	17.7	18.8
Yield (CENTS PER PASSENGER-MILE)	**28.0**	26.8	26.6	25.3	24.0
Train-miles operated (IN THOUSANDS)	**6,771**	6,780	6,770	6,665	6,621
Car-miles operated (IN THOUSANDS)	**48,396**	48,682	48,262	46,102	45,121
Average passenger load factor (%)	**53**	53	57	57	56
Average number of passenger-miles per train-mile	**126**	126	140	138	137
On-time performance (%)	**70**	73	84	85	83
Number of employees at year-end	**3,027**	3,051	3,054	3,013	2,958

1 | Cash operating expenses used in the calculation of the Revenue/Cash operating expenses ratio, exclude amortization of Property, plant and equipment, reorganization charges, accounting accrual for compensation, unrealized gains on derivative financial instruments, pension and employee future benefits.

2 | Excludes internal funding from the Asset Renewal Fund of $7.7 million in 2004 and includes a capital funding contribution to the Asset Renewal Fund of $5.0 million in 2001, 2002 and 2003.

3 | Key operating statistics are unaudited.

CORPORATE OVERVIEW

VIA Rail Canada operates Canada's national passenger rail service on behalf of the Government of Canada. An independent Crown Corporation established in 1977, our mission is to provide Canadians with a safe, efficient and environmentally responsible passenger service. We fulfill this mission by delivering quality service to our customers by maximizing revenues, controlling costs, and by building on the market strengths of passenger rail — one of the safest, most reliable and environmentally sustainable modes of transportation available.

OUR VISION

To be the Canadian leader in service excellence in passenger transportation.

OUR MISSION

Working together to consistently deliver safe, efficient and environmentally responsible services for travellers in Canada.

OUR VALUES

Innovation: A Customer-Focused Business — exceeding the needs of our customers, delivering quality service and investing for responsible growth.

Respect: A Responsible Company — working together to build positive, respectful relationships with all VIA stakeholders.

Relevancy: A Relevant Public Service — working with the public, the business community and governments to provide a cost-effective and environmentally-responsible national passenger transportation system.

OUR SERVICES, COAST TO COAST

We operate more than 480 trains weekly on 13,000 kilometres of track, connecting over 450 Canadian communities. With approximately 3,000 employees, VIA carried almost 4 million passengers over 851 million passenger-miles in 2004.

In *Western Canada*, VIA provides year-round, all-weather intercity transportation including service to remote communities and the legendary Western transcontinental train the *Canadian*®, with service thrice-weekly between Toronto and Vancouver.

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

In *Atlantic Canada*, the *Ocean*™ runs six times a week between Montreal and Halifax, offering its friendly *Easterly*™ service. The *Chaleur* ™ makes three trips each week from Montreal through the Gaspé Peninsula.

In *rural and remote areas*, VIA operates services designated by the government to meet regional transportation needs.

Pierre
Heavy Duty Mechanic
Montreal

Wanting to make people feel secure.

It's only human.

We work hard to ensure our passengers' peace of mind.

MESSAGE FROM THE BOARD OF DIRECTORS

The past year was an unusual and challenging one for VIA Rail management and the Board of Directors. The passenger transportation industry as a whole continued to struggle with instability and uncertainty in travel markets, and a slow recovery from the sharp downturn in 2003. At the same time, the Corporation entered an extended period of transition in leadership, following the departures of both the Chairman of the Board and the President and Chief Executive Officer.

In a period of fundamental transition like this, any corporation risks losing practical focus in day-to-day operations, and strategic focus in planning for the future. We are pleased to report that this did not happen at VIA. Indeed, the Corporation stayed extremely well-focused and performed remarkably well — thanks to extraordinary teamwork between employees, management, and the Board.

Revenues and ridership increased slightly over 2003. Markedly, revenues increased faster than ridership, as VIA continued to focus on generating higher returns by delivering a high-value service unique to passenger rail. In fact, VIA's yield — revenue generated per passenger-mile — was the highest in VIA's history. At the same time, rigorous control over costs helped in reducing expenses directly related to 2004 operations compared to 2003. Together, improved yield and cost containment helped push cost-recovery up to 58.9 per cent, on track to regaining levels achieved before the market downturn. Furthermore, given that a Canadian Industrial Relations Board ruling related to events in 1997 inflated the year's operating costs, financial performance in 2004 was first-rate.

The Board remains concerned about on-time performance, which continued to deteriorate in 2004, reaching a low of 70 per cent. Improved reliability of scheduled services is a top priority for customers, and vital to the success of passenger rail. Since the majority of performance issues stem from problems with capacity of the infrastructure that VIA does not control, significant long-term improvements will require cooperation with the freight railways and investment to increase capacity. At the same time, VIA is doing everything possible to address reliability issues on a daily basis. Determined vigilance and management efforts to reduce the length of train delays, when they occur, produced some improvements in 2004. Overall, the severity of delays improved by 23 per cent — with a 25 per cent improvement in delays under VIA's control.

While the numbers reflecting day-to-day performance are moving in the right direction, limited infrastructure capacity continues to be a serious challenge that must be addressed if passenger rail is to continue moving forward.

The Board is mindful of VIA's responsibility to the future of passenger rail. VIA operates the service on behalf of the Government of Canada. It has a responsibility to ensure that Canada's national passenger service grows and develops in ways that best serve the interests of Canadians in the years ahead.

Throughout 2004, the Corporation remained focused on its longer-term strategy of growing a relevant, responsive and responsible passenger rail service. A number of initiatives discussed in this report demonstrate how VIA is developing the strengths of passenger rail as a high-quality, efficient, environmentally sustainable service. We are convinced that such a service will play an increasingly important role in meeting the transportation needs of Canadians in the 21st century.

Good governance of the Corporation will continue to be essential if VIA is to fulfill this role. To this end, the Board has been actively involved in developing and ensuring that the best possible practices and procedures are in place.

Members of the Board undertook a number of initiatives in 2004 to clarify the respective roles of the Board and Management, strengthening the excellent spirit of teamwork and cooperation that was evident throughout the year. We examined opportunities for realigning committees of the Board to improve their efficiency. Working with the Government of Canada, the Board was actively involved in implementing a new selection process to identify the best candidates for both VIA's President and Chief Executive Officer and Chairman of the Board in 2005.

The Board is confident that its efforts in 2004 will help continue effective, responsible stewardship of Canada's national passenger rail service into the future.

André
Senior Service Attendant
Toronto

Wanting to make people feel welcome. It’s only human.

We always extend a warm and friendly welcome to our passengers.

MESSAGE FROM MANAGEMENT

VIA's strategic focus is on the strengths of passenger rail — delivering a service with exceptional value, in touch with the needs of Canadians, providing a quality travel experience no other mode of transportation can match. In 2004, that focus kept us on track through a very difficult year.

Faced with a slow travel market and intense competition for customers, we resisted the temptation to engage in a price war with discount air operators. Instead, we launched our highly-innovative "It's Only Human" campaign, working with our employees to tell customers exactly what they can expect when they choose passenger rail — comfortable, relaxing travel and attentive personal service from people who listen to and understand travellers' needs.

We worked hard to go beyond our customers' expectations, with product refinements such as testing wireless Internet access for business travellers on Corridor trains. We streamlined cross-functional management responsibilities to ensure a faster, more effective response to the people and communities we serve. We worked closely with our freight rail partners to minimize train delays caused by the limited capacity of our shared infrastructure.

Throughout the Corporation, the creativity and imagination of VIA's people helped keep passenger rail moving forward. New and innovative ways to reduce costs while increasing value set the stage for some truly creative rethinking about how passenger rail can best serve Canada in the future. As the *Ocean*, VIA's Montreal-Halifax train, marked its centenary as Canada's longest-running scheduled and named passenger train, VIA's people prepared for the renewal of that service in 2005 — a redesign of passenger rail in Eastern Canada to meet the needs of the region in the 21st century.

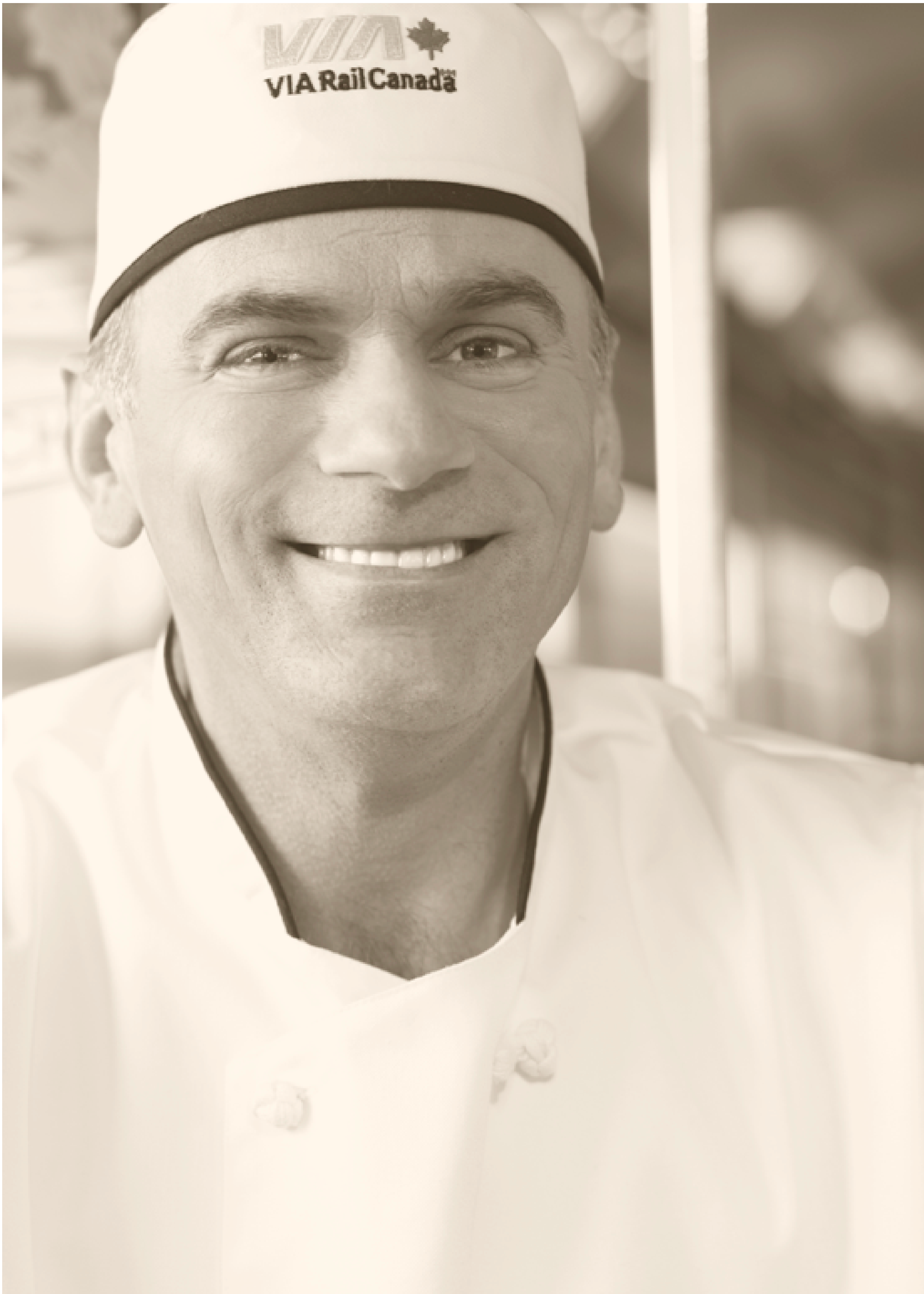
We addressed some of the long-term challenges facing Canada's transportation system as a whole. At a time when safety and security are dominant concerns for travellers, VIA's Safety Management System passed a comprehensive audit by Transport Canada, and our Corporate Security Master Plan has been improved with assistance from international security and counter-terrorism experts. As the government reconfirmed Canada's commitment to the Kyoto Accord, VIA continued to address key environmental objectives, strengthening our position as Canada's most environmentally sustainable mode of public transportation. And we continued to work with other modes to enhance the efficiency of the public transportation system, through our intermodal connections with bus companies, airlines and urban transit authorities across the country.

In the years ahead, VIA's success in addressing these issues will serve Canada well. Sustainable progress in improving the environmental impact of transportation and relieving urban traffic congestion, for example, ultimately depends on providing Canadians with better alternatives than travelling by car. Passenger rail is the only common carrier mode with the capability of doing this on a significant scale. And we know from experience that — given the option of timely, efficient rail service — people will choose the train.

But that choice will always depend — today and tomorrow — on the talents our people bring to the job. We know that this is where our greatest strength lies, and our greatest competitive advantage in passenger transportation. The success of passenger rail comes from people who are passionate about that success.

And, in 2004, we launched a complete transformation of the Corporation designed to bring that passion alive like never before. Every aspect of how we recruit, train and reward people is being realigned to bring out the best of their talents in the service of travellers. Described more fully in this report, we believe it is an innovative, responsive and focused approach to strategic human resource management.

As we enter 2005, VIA is moving forward with confidence, with a clear vision for the future: to be the Canadian leader in service excellence in passenger transportation.



Langis
Chef
Montreal

Wanting to
be good at
what you do.
It's only human.

We take great pride in serving our passengers well.

The Year in Review

Operating a modern passenger service in Canada is a tough business. The Canadian travel and tourism industry as a whole is going through difficult changes, in a very challenging environment. The industry in general experienced one of the worst years on record in 2003. Predictions for a market recovery in 2004 proved to be overly optimistic, and competition for customers has become more intense than ever before.

The needs and expectations of those customers are also changing. Increasingly sophisticated travellers have high expectations not only for transportation efficiency — moving from point A to point B — but for the level of service they experience along the way. Wireless mobile technology has created new expectations about how people connect travel time to work and family life. The Internet and information technologies have raised expectations for fast, convenient customer service, and easy access to personalized travel options.

At the same time, world events have made safety and security a higher priority for travellers than ever before. Growing awareness of the environmental impacts of transportation have increased demands for environmentally responsible management in all passenger modes.

It is a business environment where success depends on creative thinking, finding new ways to anticipate and respond to customer needs, to add value for the customer, and to deliver that value consistently day after day. VIA met this challenge in 2004, ensuring that passenger rail stays in step with the needs of Canadians today, and relevant to Canada's transportation needs in the future.

VIA'S STRATEGIC PLAN

VIA's Strategic Plan, approved by the Board of Directors in 2003, continued to focus our creative thinking in 2004. The Plan sets out clear objectives to ensure that activities and initiatives align with our long-term goals for passenger rail.

SAFETY

To ensure a safe and secure work and operating environment for colleagues, customers and the general public who come in contact with VIA's operations.

VIA's Safety Management System has earned recognition as a model for the industry, and was praised by Transport Canada auditors in 2004. To ensure the security of our operations, we implemented a Corporate Security Master Plan and a wide range of new security measures, with the help of international security and counter-terrorism experts. A new communications program ensures that our employees remain vigilant and aware of security issues at all times.

PEOPLE

Working together to create an environment which promotes a passionate commitment to VIA's business success.

We launched the first steps towards a comprehensive redesign of Human Resources in 2004, with a new approach to strategic human resource management based on our vision for people at VIA — a vision that will bring out the best in our people and align our talents with the future needs of passenger rail.

SERVICE

To consistently provide our customers with excellent travel experiences.

Our customer satisfaction ratings reached their highest level in four years during the last quarter of 2004. Overall, service continues to meet or exceed the expectations of the customer 97 per cent of the time.

Reliable on-time performance is essential for continued high levels of customer satisfaction. VIA intensified efforts to reduce train delays, working closely with the freight railways to resolve scheduling and operating conflicts on a daily basis. More sustainable options for consistent reliability are being identified.

GROWTH

To be the first choice of travellers in all markets that VIA serves.

In current travel markets, consistent, sustainable growth depends more than ever on our ability to capitalize on those aspects of passenger rail that set us apart from competitors. Throughout the year, we focused on identifying, developing and marketing the unique strengths of passenger rail in meeting the needs of travellers.

ENVIRONMENT

To conduct our business of meeting the needs of customers in an environmentally sustainable and responsible manner.

VIA's Environmental Policy recognizes the importance of promoting environmental awareness among its employees, suppliers, customers and partners. Our Environmental Management System (EMS), which encompasses all environmental policies, programs and procedures, has been made available online to employees. While maintenance centre employees had already received EMS training, training for the balance of on- and off-train employees began in 2004.

ENTREPRENEURSHIP

To move towards self-sufficiency by reducing government funding for operations and applying savings toward new capital investment.

We continued to address funding reduction with a strategy combining reduced costs with revenue growth. Costs of operations in 2004, excluding the CIRB decision, dropped slightly compared to 2003. On the revenue side, we focused on increasing yield — generating higher revenues per passenger-mile. Product development and design projects, undertaken in 2004, will increase yield further in the years ahead.

Bach-Mai
Program-Analyst
Montreal

Wanting to connect.
It’s only human.

We do everything in our power to ensure that our customers can access the information they need, when they need it.

MEETING NEW DEMANDS IN THE MARKETPLACE

The nature of the transportation marketplace itself is changing, especially in Eastern Canada and the Montreal-Ottawa-Toronto triangle. Intense competition and price wars characterized these markets throughout 2004, with the arrival of new, low-fare air services. In many cases, these services have made sharp inroads into VIA's traditional markets. At the same time, shifting markets have opened new opportunities for VIA to realign and focus on the strengths of passenger rail to meet customer needs, in ways that other passenger services cannot duplicate.

REPOSITIONING PASSENGER RAIL IN THE EAST

Passenger rail has provided a core transportation service in Eastern Canada for more than a century. But the demand for traditional passenger rail service has been falling consistently for many years. In 2003, the decline accelerated, with passenger volumes on the *Ocean* down 30 per cent compared to the year 2000. The decline continued in 2004.

Much of that decline is due to competition from discount airlines. In terms of price, speed, and scheduled frequencies, rail can simply not deliver the same kind of basic transportation service the airlines are providing today.

At the same time, passenger rail remains an important travel option for many communities served by the *Ocean,* and we are committed to finding new ways to improve the service's financial performance. In 2004, we conducted extensive research with tour operators, customers and employees to find better ways for passenger rail to respond to the changing market in Eastern Canada, and better ways to support the needs of the region.

We found that there is a significant demand for a high-quality tourism service throughout the Maritime provinces. Provided that the service delivers an exceptional travel experience — the kind of experience not possible on a plane or a bus — such a service has a place in the regional tourism industry. While maintaining its role in the region's transportation system, a high-yield tourism service would generate significant revenue growth, helping to reduce the costs of providing year-round intercity transportation.

As a result, VIA is repositioning the *Ocean* to fill this market niche. The new *Easterly* class will provide attentive customer service and a unique learning travel experience, meeting the expectations of customers. On-board activities will include enriched cultural and learning opportunities, with entertainment and educational content tied to regional culture, history and geography. Dining will reinforce the cultural connection, with regionally-inspired cuisine and an animated personal-service touch. The newly introduced Renaissance passenger cars will be decorated to reflect Atlantic themes and culture.

The objective is to create an experience that surrounds the customer with a rich feeling of Atlantic Canada from the moment they board the train — and maintain that experience with high-quality service throughout the journey. The result will be the transformation of a basic transportation service into a viable transportation and tourism service, closely tied to the heritage of Eastern Quebec, New Brunswick and Nova Scotia. And it will be a service uniquely aligned to the market — one that no competitor can provide.

The repositioned *Easterly* class service will be introduced in June 2005. By 2008, it is expected to increase VIA's Eastern revenues by 62 per cent over 2003.

This project is similar to the highly-successful repositioning of service on board the *Canadian*, between Toronto and Vancouver, in the 1990s. The introduction of *Silver and Blue*™ class, a high-end tourism service in the West, met with immediate acclaim and improved financial performance, with demand often outpacing capacity. In 2004, VIA's Western service posted the highest revenue gains of all VIA's services. The Western service team will monitor the implementation of the new Eastern service closely, and apply what they learn to further improve *Silver and Blue* class.

MARKETING OUR STRENGTHS

Passenger rail has also been challenged by airlines in the Montreal-Ottawa-Toronto triangle, with discount airfares and frequent service cutting into VIA's market base, especially among business travellers.

Whether or not this market has the capacity to sustain the current level of air services over the long run is open to debate. There is no question, however, that the airlines are offering a very different kind of service than passenger rail — bare-bones, no-frills transportation that cannot match the comfort and personal service available on the train.

We believe that the market needs the passenger rail alternative. Rail provides fast, downtown-to-downtown travel between major centres while serving many smaller communities along the way. Those who board our trains — especially business travellers — enjoy the value of making the most productive use of travel time, with wireless Internet access coming on board, laptop plug-ins, freedom to use their cell phones, or even conduct business meetings while travelling in comfort. Others welcome the opportunity to stretch out and relax. Whether travelling on business or not, all of our customers appreciate the level of attentive, personal service that has earned VIA an international reputation as a leader in passenger rail.

In the spring of 2004, we launched an innovative marketing campaign, "It's Only Human," emphasizing these unique benefits of passenger rail travel. At the same time, employees increased efforts to deliver those benefits consistently, and improve the quality of service even further. Those efforts are showing results and, we believe, will continue to attract customers back to passenger rail in 2005 and onwards.

RESPONSIVE, HIGH-QUALITY SERVICE

To ensure our place in the market, VIA must constantly focus on improving customer service in all parts of Canada. It is the key competitive advantage that sets passenger rail apart. It is an advantage that begins from our first contact with the customer — on the telephone, at our stations, or through our highly-successful website — as well as service on board the train.

Many customers have asked for convenient, fast access to train information, reservations and ticketing. The 33 self-service ticketing kiosks we introduced in stations throughout the Corridor during 2003 have proved very successful, and we continue to explore ways to make self-service options easily available to those customers who choose this option. We have also continued to improve our website, by ensuring that personal assistance from a "live" service representative is available on demand. Ongoing improvements to telephone sales operations enhanced service further, while reducing costs.

Our cross-functional regional Service Teams, created in 2001, have brought decision-making processes closer to the markets and the customers they serve, improving VIA's ability to respond to the new needs of travellers. Following focused sessions with the management team, the roles and responsibilities of these teams were clarified and realigned in 2004, to speed up responses to customer concerns and Service Team initiatives.

Front-line employees received a follow-up session of VIA's successful "Achieving Excellence in Customer Service" training program in 2004. At the same time, VIA introduced a new emphasis on "soft skills," such as deportment, communication, planning, interpersonal and organizational skills.

Perry
Locomotive Engineer
Montreal

Wanting to make people feel comfortable.

It's only human.

We take our passengers' comfort to heart.

A NEW VISION FOR PEOPLE

If customer service is VIA's key competitive advantage, the source of that advantage lies in the talent and commitment of employees — from the front-line attendants on board the trains, to the team leaders, to the mechanics who help keep trains running on schedule. All of the major objectives for VIA in the foreseeable future depend on harnessing the creativity and imagination of people.

The high level of commitment of our employees has helped make the Renaissance of passenger rail a success. Our Strategic Plan continues to make a focus on people a top priority — creating an environment which promotes a passionate commitment to VIA's business success. Efforts to communicate VIA's vision, values and strategic goals, and to keep employees informed about business challenges and performance, have been improved and will continue to improve. Recent organizational changes, such as the realignment of VIA's cross-functional teams, have helped create more opportunities for people to put their knowledge and skills into action on the job in order to better serve our customers.

A NEW FOCUS ON TALENT

In 2004, we took our vision for people at VIA Rail a step further, launching the transformation of the Human Resources department from a largely administrative role to a far more strategic one — managing the talent of the Corporation. This is particularly important at a time when many of VIA's people — and hence our talent — will soon become eligible for retirement.

This transformation will be supported by the implementation of a new "e-HR" online tool that will make it possible to handle the administrative role more efficiently. For example, information about policies can be made directly available to employees online. Once the technology for handling this administrative function is in place, the task will be to make a new kind of service available — helping employees gain more control in developing meaningful careers at VIA, and making a real contribution to the future of passenger rail.

Our objective is to help employees and managers build better, stronger bridges between individual talents and career aspirations, and the strategic goals of the Corporation. When the transformation of Human Resources is complete, everyone at VIA will have direct access to information about VIA's current business priorities and future objectives. A broad range of new tools, procedures and support will help people look at their talents and career goals and find ways to match these to their personal objectives as well as to the needs of the Corporation three, five, or ten years down the road. They can then map out their own career, with a personal portfolio of options for training, growth and development at VIA Rail.

Managers began training in 2004 in the use of new tools for setting individual and team objectives, with clear links between short-term operational objectives and the longer-term strategic goals of the Corporation. Human Resources is helping managers integrate objective-setting with employee training, learning and development plans, evaluations, and performance management. New e-learning tools will also expand the range of development opportunities for our people, with training tied directly to performance objectives and VIA's strategic goals.

A comprehensive review of compensation, pension and benefits, as well as the service recognition program in 2004, examined how rewards for employees can be better linked to VIA's corporate strategy — supporting efforts that drive the success of VIA Rail more effectively.

Hiring and succession planning is also taking on a more strategic focus. Human Resources has identified key positions, the core talents needed to fill those positions, and the training people need to move into those positions at the right time. Hiring new talent will focus not only on filling specific job openings, but on recruiting the kind of people VIA needs in the long-term — the kind of people who will help VIA succeed down the road.

The transformation of Human Resources is a long-term project that will unfold over several years. Our vision for people at the heart of this transformation — a vision where every individual can align their creativity, intelligence and innovation with meaningful work and the future of passenger rail — will become an integral part of strategic planning in the years ahead.

ENVIRONMENTALLY RESPONSIBLE MANAGEMENT

Transportation is the largest single energy user and contributor to greenhouse gas emissions in Canada. Road vehicles — passenger cars, light trucks and commercial trucks — account for over 70 per cent of transportation-related greenhouse gas emissions.

Passenger rail is one of the most environmentally sustainable modes of public transportation available. VIA believes that there is enormous potential for enhancing rail's contribution to the environment — by continually improving our current operations, and exploring opportunities to expand our role in protecting Canada's environment and the health of Canadians.

In 2003, we officially made an environmental goal part of our Strategic Plan. However, VIA had established environmental practices and procedures much earlier. For example, VIA's maintenance centres have been leaders for VIA on the environmental front. They were the first to adopt an environmental policy and to put in place an Environmental Management System (EMS), for which they received the ISO 14001 certification.

Environmental reporting is now an integral part of the Corporation's management and accountability framework. VIA's vice-president accountable for environment reports to the Board of Directors, senior management and employees on the status of all environmental initiatives.

ENVIRONMENTAL POLICY

VIA Rail Canada Inc., Canada's national passenger rail service, is devoted to meeting current and future passenger rail needs in an **ENVIRONMENTALLY SUSTAINABLE AND RESPONSIBLE MANNER.**

VIA Rail recognizes the importance of promoting **ENVIRONMENTAL AWARENESS** among its employees, suppliers, customers and partner communities and is committed to **CONTINUALLY IMPROVE** its environmental performance by:

- **ENSURING COMPLIANCE** with applicable Government laws and regulations;
- **ASSESSING AND MANAGING** the environmental impacts of its operations; and
- **ESTABLISHING ENVIRONMENTAL OBJECTIVES AND TARGETS** and associated **ENVIRONMENTAL MANAGEMENT PROGRAMS** with respect to the environmental effects of its activities, properties and services.

ENVIRONMENTAL MANAGEMENT SYSTEM

VIA's Environmental Management System (EMS) manual outlines the company's commitment to conducting its business in an environmentally responsible manner. It contains VIA Rail's environmental policy as well as the requirements and procedures in place for VIA to achieve its environmental objectives. The system itself was implemented in late 2003, while the manual was distributed to all managers in June 2004.

The Environmental Management System manual includes a "Training and Awareness" section, which calls for training to be provided to all employees according to the environmental aspects associated with their role and responsibilities. Training began in the fall of 2004.

A permanent, cross-functional Environmental Planning Committee has been established to periodically review the application of the system, and to act as consultant in its development, implementation and continuous improvement. The Committee also monitors performance, proposes and plans initiatives, promotes environmental awareness, and liaises with outside agencies. Members of the committee represent every department of the Corporation.

In addition, VIA has developed an Environmental Assessment Program to allow employees to assess VIA's facilities, conformance to environmental legal requirements, and best management practices. Results of these assessment surveys are distributed to managers for review and action.

FLEET MANAGEMENT

Our efforts to modernize aging equipment since the early 1990s have made an important contribution to environmental objectives. Modern waste retention systems have been installed on all trains operating in the Quebec City – Windsor corridor; these systems are also being installed on all cars used for transcontinental and remote services. Improved operating efficiency has reduced fuel consumption and greenhouse gas (GHG) emissions significantly. Overall fuel consumption per passenger-mile has been reduced by over one-fifth since 1990.

In 2002, we purchased 21 new General Electric P-42 locomotives. These locomotives were built to the United States Environmental Protection Agency standards and have significantly improved the efficiency of VIA's operations.

VIA also continues to operate older General Motors F-40 locomotives. We have issued tenders to rebuild these locomotives. The work would include a new system to automatically shut down engines during layover and heat them with wayside power in the winter. Such a system would reduce fuel consumption by significantly reducing idling time, and thereby decreasing emissions as well.

SAFETY AND SECURITY

Everyone at VIA Rail recognizes that safety and security is a primary concern for travellers. Passenger rail is widely recognized as the safest mode of public transportation, and an increasingly attractive alternative for Canadians concerned about the dangers of travelling on congested highways. We are proud of VIA's safety record and we are also especially mindful of concerns about security.

SECURITY

Given recent world events and continuing concerns about terrorism, security has become an even more important element in our focus on safety management. We have developed a wide range of measures to mitigate risks and potential threats, and to ensure that security vigilance is practiced throughout the organization.

We developed a Corporate Security Master Plan, which identifies actions to be taken to protect the Corporation, its employees and its customers from external acts which are intended to cause harm or loss. Key points of the plan and updates on security issues are communicated regularly to all employees. An important focus of communications is to develop a heightened "security awareness" among employees, and to maintain vigilance regarding security throughout the Corporation.

VIA has conducted a complete review of security measures, with the help of experts in international security and counter-terrorism. As a result, we made a number of improvements to enhance security and have strengthened information-sharing networks with other rail operators, both domestically and internationally, as well as with government agencies and emergency services.

A key initiative coming out of this exercise was the establishment by Management Committee of the Strategic Security Planning Committee (SSPC) to review, assess and adjust VIA's wide range of security measures. VIA's Strategic Security Planning Committee regroups participants from many key VIA departments, and its activities are also linked to those of unions, government departments, security intelligence services and other railways.

SAFETY MANAGEMENT SYSTEM

As a result of the five-year review of the *Railway Safety Act* in 2001, all federally-regulated railways are required to implement a Safety Management System (SMS). VIA participated in the development of this regulation as well as the guidebook for implementing such a system.

We implemented our own Safety Management System in 2001, and submit it annually to Transport Canada. Transport Canada has recognized VIA as a leader in the industry, consistently praising our willingness to take immediate actions in order to improve our Safety Management System when required.

Transport Canada conducted an implementation audit of the System in the fall of 2002, issuing its report in 2003. The audit included an exhaustive review of all components of the System, including the setting of annual safety targets, reporting and accountability procedures, employee involvement, risk management and compliance with rules and regulations. In its findings, Transport Canada recognized the efforts and commitment demonstrated by VIA management, unionized employees and representatives, as well as the success achieved to date by VIA. The report confirmed that the overall implementation of the system is proceeding well. A number of opportunities for further improvement were also identified, and a third audit was scheduled for 2004.

The 2004 audit report once again showed very good results, particularly with regard to an ongoing commitment towards the Safety Management System at all levels within the organization. VIA was also given good marks for the corrective actions that were taken to improve the system's documentation and ongoing implementation.

VIA continues to refine the system, improving communication of safety performance targets to front-line employees, documentation of safety procedures, and continued integration of the system into all facets of VIA operations.

Jenay
Senior Service Attendant
Winnipeg

Wanting to
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CORPORATE GOVERNANCE

The issue of governance in all Crown Corporations has become a priority for the Government of Canada. It was a particular concern for VIA Rail in 2004, following a report by the Auditor General with respect to federal sponsorship programs, which the Corporation had participated in. Throughout 2004, VIA worked to enhance governance as a part of its corporate culture, both through initiatives designed to clarify Board and Management roles, and through the development of new measures to ensure clarity and accountability at all levels of the organization.

The Board of Directors continued to implement a five-part governance program that was developed in 2003. This included the development of a clear Board mandate and agenda as well as a corporate governance manual.

All directors receive this corporate governance manual, that sets out the Corporation's mandate, Board committees, corporate by-laws, and a summary of the legislation governing VIA's operations. Directors also benefit from orientation and training sessions designed specifically for them, thereby facilitating and improving communications between directors.

The Board engaged in a number of initiatives examining the respective roles and responsibilities of the Board and Management. As a result, the Board has implemented a "governance matrix" that clearly defines roles with respect to strategic planning and direction, performance management of Executives and Directors, succession planning, risk assessment and financial oversight.

BOARD COMMITTEES

The Board also worked with VIA management to clarify the mandates of committees of the Board.

Audit and Finance Committee

The mandate for the Audit and Finance Committee deals primarily with reviewing and assessing VIA's financial reporting practices and procedures, and the activities of both internal and external auditors.

Corporate Governance Committee

The Corporate Governance Committee has a broad responsibility for examining governance practices in place at VIA Rail and for making recommendations with respect to such matters to the Board of Directors.

Investment Committee

The Investment Committee oversees and makes recommendations to the Board of Directors on the management of the Pension Fund and the Asset Renewal Fund. The Committee also reviews policies, performance and other matters as required.

Human Resources Committee

The Human Resources Committee is responsible for reviewing and approving total compensation policy and practices, evaluating the performance of the President and Chief Executive Officer, ensuring a succession plan is in place, and reviewing organizational structure.

Nominating Committee

The Nominating Committee makes recommendations to the Board of Directors, which in turn makes recommendations to the Minister of Transport regarding appointments and re-appointments to the positions of the President and Chief Executive Officer and Chairman of the Board. VIA was one of the first Crown Corporations to fully implement the new guidelines for this nominating process, which were established by Treasury Board in 2004.

A new committee to oversee Risk Management

The Board believes that the Corporation should have the best possible procedures in place for identifying, assessing and managing risk. In 2004, the Board worked with Management Committee to evaluate and enhance risk oversight functions within the Board's committee structure. As a result, a new Audit and Risk Management Committee has been established for 2005.

ACCOUNTABILITY AND CORPORATE STANDARDS OF CONDUCT

The Board of Directors worked closely with management to address concerns raised by the Auditor General regarding sponsorship issues. The initiatives taken in 2004 include:

- The reinforcement and clarification of contracting and procurement policies, with stricter controls, standardized documentation procedures and regular management oversight.
- The establishment of clearer corporate sponsorship guidelines as well as strengthened approval, control and documentation policies and procedures. These guidelines ensure that VIA, and the federal government, continue to receive good value on sponsorship investments.

In addition, in 2005, VIA will implement a new, system-wide Code of Conduct, based on a thorough review of existing rules and procedures governing employees. VIA will also retain the services of an independent, third-party compliance officer. The officer will set up an ombudsman process to ensure that anyone — inside or outside of the Corporation — is free to raise concerns about VIA operations, and be assured that those concerns will be recognized, addressed and resolved fairly.

Rachelle
Telephone Sales Agent
Montreal

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MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis presents data and comments on the Corporation's financial position and results of operations for the year 2004. It should be read in conjunction with the Financial Statements, which follow.

OVERVIEW OF FINANCIAL RESULTS

Despite the very difficult market conditions in 2004, and excluding the impact of the Canadian Industrial Relations Board (CIRB) ruling described below, VIA's financial performance has been nothing short of exceptional. Although total revenues of $259.5 million were short of budget by $14.5 million (or five per cent), the Corporation was able to reduce cash operating expenses, which resulted in a favourable variance versus budget that more than offset the revenue shortfall.

The year-end result was negatively impacted by a decision of the Supreme Court not to grant VIA leave to appeal a Federal Court of Appeal ruling supporting a decision of the CIRB. The CIRB ruling relates to a complaint filed by a group of ex-VIA conductors against their union, the Brotherhood of Locomotive Engineers (BLE), claiming unfair labour practices. VIA, as the employer, was added as an interested party. The dispute relates to an implementation agreement between the BLE and VIA, reached in 1997, regarding VIA's decision to merge the conductor's position with that of the locomotive engineer. Following generally accepted accounting principles, VIA has made provision for this expense in its 2004 financial results.

REVENUE AND RIDERSHIP

Both passenger revenues and ridership fell below budget in 2004, as travel markets continue to experience very low growth following the market drop in 2003. However, total revenues did increase $9.2 million over 2003. Significantly, revenues increased more than passenger volumes, reflecting VIA's focus on improving yield. Revenues per passenger-mile increased significantly to 28 cents over 26.8 cents in 2003.

Passenger-miles of 851 million were seven per cent short of budget and one per cent below last year, the result of traffic losses on the long-haul services and the relatively greater loss of longer distance first-class passengers.

The year ended on a very positive note, with December revenues posting a strong performance. Not only did December passenger revenues exceed forecast by $3.1 million (or 16.5 per cent), they also exceeded the monthly budget for the first time since January 2004. Other revenues, especially investment income, were also very strong in December and ended the year $2.4 million over budget.

OPERATING COSTS

As noted above, the CIRB ruling has significantly increased VIA's 2004 operating costs. In addition, VIA also experienced higher costs for legal services in 2004. However, during the year, the Corporation reversed $14 million of capital taxes related to prior years. This adjustment helped offset the negative effect of the CIRB settlement and the increased legal services costs. Total operating costs (cash operating expenses), excluding the CIRB settlement, were slightly less than last year.

Almost all areas of the Corporation contributed to this excellent result. The sources of expense savings (excluding the capital tax reversal) are diverse, as almost all expense categories were below budget. Major contributors include $6.4 million in lower maintenance material costs; $4.9 million in compensation savings through control of vacant positions and staffing levels; $1.3 million from train operations, mostly from reduced line-haul charges; $1.3 million from lower station and property expenses; and $1.2 million from lower marketing and sales expenses, including the benefits from new customer service technologies.

The reduction in operating expenses allowed the Corporation to end the year with a 58.9 per cent cost-recovery ratio, an improvement compared to the 58.5 per cent recorded last year.

CAPITAL EXPENDITURES

Capital expenditures totalled $20.2 million in 2004, slightly less than forecast and far below the planned level of $41.1 million, which reflects VIA's prudent management of its capital resources until a certain long-term investment strategy is more clearly articulated pursuant to the Minister's instructions. With the exception of administration projects, all capital programs underspent their budgets this year.

The most significant underspending occurred in equipment projects at $9.8 million, where significant delays in VIA's LRC and F-40 rebuild projects occurred. Other programs with significant underspending include station projects, mostly due to delays in project startups, infrastructure projects, where work was deferred for future consideration, and maintenance centre projects.

ON-TIME PERFORMANCE

VIA faced another difficult year in 2004 with on-time performance decreasing for a third year in a row. However, despite very challenging first quarter conditions when on-time performance averaged only 54 per cent, some recovery was seen in the remainder of the year to achieve a year-end result of 70 per cent of the trains arriving on time.

VIA recognizes that failing to meet operating schedules is a critical problem, with potentially disastrous effects on VIA's financial performance if the root cause of the problem is not addressed quickly. Deteriorating performance will lead to lost business, lower revenues, and possibly higher costs to government.

Of the train delays experienced in 2004, 18 per cent were directly under VIA's control, an improvement from 2003 of almost three percentage points. A significant portion of these delays was related to adjustments that had to be made to the introduction of new equipment as well as some equipment failures caused by an aging fleet.

VIA continues to closely monitor and seek ways to minimize the delays in its own operations, including changes in station practices to reduce station stand time, and improved baggage handling procedures to reduce delays en route. In addition, albeit slightly longer term, VIA has begun the process of rebuilding two of its older fleets of rolling stock.

However, the majority of train delays were caused by operating railways (69 per cent), with other parties accounting for another 11 per cent of delays. The significant volume of operator-related delays is due largely to insufficient infrastructure. VIA continues to work closely with all parties to resolve problems that cause delays, and is making progress in this regard.

Although the number of trains arriving late increased in 2004, the severity of delays from all sources was significantly less than in 2003 (average delay minutes 18 per cent down). Delay minutes under VIA's direct control decreased by almost 25 per cent in 2004, showing that VIA's continuous efforts to contain controlled delays is yielding results.

OUTLOOK FOR 2005

VIA looks forward to completing a transition in leadership in 2005, with the appointments of a new President and Chief Executive Officer and a new Chairman of the Board. With new leadership in place, VIA will continue to explore options with the Government of Canada concerning the future direction of passenger rail.

Although VIA's revenues and ridership showed signs of growth in the last quarter of 2004, markets are expected to be highly uncertain and unstable in 2005. VIA will continue to concentrate on finding innovative and creative ways to maintain above-average performance and maximize passenger revenues in growing markets. In order to return revenues to the upward trend established over the past decade, and to continue minimizing costs, VIA will:

- Continue to implement rigorous cost controls to eliminate unnecessary costs, without jeopardizing services.
- Promote its new simplified *Comfort*® class Flexi Fares to increase the convenience and flexibility of passenger rail travel as an attractive option in the marketplace.
- Improve and enhance access to VIA's services by expanding use of self-service ticketing kiosks for most products, and introducing special Web-based promotional initiatives to capitalize on the growth in online bookings to attract new customers, while retaining existing travel base.
- Improve and enhance service delivery to capitalize on its competitive edge over other modes of transportation.

On-time performance will remain a critical focus in 2005. Indeed, any optimism for the coming year must be tempered by grave concerns about limited infrastructure capacity, and the impact this is having on on-time performance. Many of the infrastructure and capacity problems experienced in 2003 and 2004 will continue, and increase, if they are not addressed quickly.

VIA is working closely with the freight railways and the federal government to examine options for resolving these issues. VIA is confident that viable options will be identified which, if implemented, would allow the Corporation to continue increasing revenues, thereby ensuring that the national passenger rail service will grow to meet Canada's transportation needs in the years ahead.

Financial Statements

MANAGEMENT'S RESPONSIBILITY STATEMENT

YEAR ENDED DECEMBER 31, 2004

Management of the Corporation is responsible for the preparation and integrity of the financial statements contained in the Annual Report. These statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include certain amounts that are based on management's best estimates and judgement. Financial information contained throughout the Annual Report is consistent with that in the financial statements. Management considers that the statements present fairly the financial position of the Corporation, the results of its operations and its cash flows.

To fulfill its responsibility, the Corporation maintains systems of internal controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems are subject to periodic reviews by Samson Bélair/Deloitte & Touche, general partnership, as internal auditors. The external auditors, the Auditor General of Canada and Ernst & Young LLP, have audited the Corporation's financial statements for the year ended December 31, 2004, and their report indicates the scope of their audit and their opinion on the financial statements.

The Audit and Finance Committee of the Board of Directors, consisting primarily of independent Directors, meets periodically with the internal and external auditors and with management, to review the scope of their audits and to assess reports on audit work performed. The financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit and Finance Committee.

Paul Côté

Paul Côté
Interim President
and Chief Executive Officer and
Chief Operating Officer

J. R. Paquette

J. R. Paquette
Chief Financial Officer

Montreal, Canada
February 11, 2005

AUDITORS' REPORT

TO THE MINISTER OF TRANSPORT

We have audited the balance sheet of VIA Rail Canada Inc. as at December 31, 2004 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards required that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, we report that, in our opinion, these principles have been applied, except for the change in the method of accounting for derivative financial instruments as explained in note 3 to the financial statements, on basis consistent with that of the preceding year.

Further, in our opinion, the transactions of the Corporation that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and the articles and the by-laws of the Corporation.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Montreal, Canada
February 11, 2005

BALANCE SHEET

AS AT DECEMBER 31

(IN THOUSANDS)	2004	2003
Current Assets		
Cash and cash equivalents	$ 9,814	$ 2,552
Accounts receivable, trade	5,323	4,715
Accounts receivable, other	2,029	2,411
Receivable from the Government of Canada	-	1,485
Derivative financial instruments (NOTES 3 AND 12)	3,976	-
Materials	15,943	16,012
	37,085	27,175
Long-term Assets		
Property, plant and equipment (NOTE 4)	610,012	651,774
Asset renewal fund (NOTE 5)	110,706	104,679
Accrued benefit asset (NOTE 7)	145,928	117,282
Derivative financial instruments (NOTES 3 AND 12)	2,921	-
Other	4,752	5,518
	874,319	879,253
	$ 911,404	$ 906,428
Current Liabilities		
Accounts payable and accrued liabilities (NOTES 3 AND 6)	$ 86,682	$ 74,780
Deferred revenues and other credits	7,961	7,069
	94,643	81,849
Long-term Liabilities		
Accrued benefit liability (NOTE 7)	19,345	17,702
Future corporate taxes (NOTE 8)	33,832	25,321
Other	3,350	3,788
	56,527	46,811
Deferred Capital Funding (NOTE 9)	635,666	674,864
Shareholder's Equity		
Share capital (NOTE 10)	9,300	9,300
Contributed surplus	4,963	4,963
Retained earnings	110,305	88,641
	124,568	102,904
	$ 911,404	$ 906,428

COMMITMENTS AND CONTINGENCIES (NOTES 11 AND 15)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

On behalf of the Board,

Marlene McGraw, CA
Director and Chairman of the Audit and Finance Committee

Anthony Friend, QC
Director and Acting Chairman of the Board

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31

(IN THOUSANDS)	2004	2003
Revenues		
Passenger	**$ 241,399**	$ 231,379
Other	**18,093**	18,966
	259,492	250,345
Expenses		
Compensation and benefits	**195,726**	191,422
Train operations and fuel (NOTE 12)	**87,560**	91,856
Stations and property	**27,706**	28,089
Marketing and sales	**26,033**	27,709
Maintenance material	**24,382**	27,017
On-train product costs	**16,618**	16,275
Operating taxes	**1,557**	13,720
Employee future benefits (NOTE 7)	**(19,263)**	3,981
Amortization and losses on write-down and disposal of property, plant and equipment	**60,672**	52,048
Other	**47,014**	26,788
	468,005	478,905
Operating loss before funding from the Government of Canada and corporate taxes	**208,513**	228,560
Operating funding from the Government of Canada	**177,444**	181,115
Amortization of deferred capital funding (NOTE 9)	**59,354**	52,272
Income before corporate taxes	**28,285**	4,827
Corporate tax (recovery) expense (NOTE 8)	**(1,890)**	1,589
Future corporate taxes (NOTE 8)	**8,511**	4,097
Net income (loss) for the year	**21,664**	(859)
Retained earnings, beginning of year	**88,641**	89,500
Retained earnings, end of year	**$ 110,305**	$ 88,641

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

(IN THOUSANDS)	2004	2003
OPERATING ACTIVITIES		
Net income (loss) for the year	**$ 21,664**	$ (859)
Non-cash items relating to operations:		
Amortization of property, plant and equipment	**59,362**	52,285
Losses on write-down and disposal of property, plant and equipment	**1,657**	111
Gain on disposal of asset renewal fund investments	**(766)**	(427)
Amortization of premium and discount on purchase of bonds in the asset renewal fund	**181**	169
Amortization of investment tax credits	**(347)**	(348)
Amortization of deferred capital funding	**(59,354)**	(52,272)
Future corporate taxes	**8,511**	4,097
Unrealized gain on derivative financial instruments	**(4,919)**	-
Change in non-cash working capital related to operations	**8,434**	(12,005)
Change in other long-term assets	**766**	766
Change in accrued benefit asset	**(28,646)**	(5,661)
Change in accrued benefit liability	**1,643**	1,310
Change in other long-term liabilities	**(91)**	(77)
	8,095	(12,911)
FINANCING ACTIVITIES		
Capital funding from the Government of Canada	**20,156**	82,381
Change in capital funding receivable from the Government of Canada	**3,710**	15,312
	23,866	97,693
INVESTING ACTIVITIES		
Acquisition of investments in the asset renewal fund	**(10,659)**	(13,333)
Proceeds from sale and maturity of investments in the asset renewal fund	**5,217**	2,800
Acquisition of property, plant and equipment	**(20,156)**	(77,381)
Proceeds from disposal of property, plant and equipment	**899**	281
	(24,699)	(87,633)
CASH AND CASH EQUIVALENTS		
Increase (decrease) during the year	**7,262**	(2,851)
Balance, beginning of year	**2,552**	5,403
BALANCE, END OF YEAR	**$ 9,814**	$ 2,552
REPRESENTED BY:		
Cash and outstanding cheques	**$ (1,544)**	$ (3,548)
Short-term investments, 2.51%, maturing in January 2005 (2003: 2.74%)	**11,358**	6,100
	$ 9,814	$ 2,552

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2004

1 | AUTHORITY AND OBJECTIVES

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. It was incorporated in 1977, under the *Canada Business Corporations Act*. The Corporation's vision is to be the Canadian leader in service excellence in passenger transportation with a mission to work together to consistently deliver safe, efficient and environmentally-responsible services for travellers in Canada. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

The Corporation is not an agent of Her Majesty and is subject to income taxes.

2 | ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies followed by the Corporation are summarized as follows:

A | FUNDING FROM THE GOVERNMENT OF CANADA

Operating funding, which pertains to services, activities and other undertakings of the Corporation for the management and operation of railway passenger services in Canada, is recorded as a reduction of the operating loss. The amounts are determined on the basis of operating expenses less commercial revenues excluding employee future benefits and non-cash transactions relating to property, plant and equipment and future corporate taxes, and are based on the operating budget approved by the Government of Canada for each year.

Funding for depreciable property, plant and equipment is recorded as deferred capital funding on the Balance Sheet and is amortized on the same basis and over the same periods as the related property, plant and equipment. Upon disposition of the funded depreciable property, plant and equipment, the Corporation recognizes into income all remaining deferred capital funding related to the property, plant and equipment. Funding for non-depreciable property, plant and equipment is recorded as contributed surplus.

B | CASH EQUIVALENTS

Cash equivalents include highly liquid investments purchased three months or less from maturity and are carried at lower of cost or market value.

C | ASSET RENEWAL FUND

Short-term investments are carried at the lower of cost or market value, determined on an aggregate basis.

The other investments in the asset renewal fund are carried at cost. The carrying value of each of these investments is assessed periodically to determine if there has been an other than temporary decline in value. A charge to income is recorded during the period in which such a decline in value is determined.

D | REVENUE RECOGNITION

Revenues earned from passenger transportation are recorded as services are rendered. Amounts received for train travel not yet rendered are included in current liabilities as deferred revenues. Other revenues which includes investment income and third party revenues are recorded as they are earned.

E | FOREIGN CURRENCY TRANSLATION

Accounts in foreign currencies are translated using the temporal method. Under this method, monetary Balance Sheet items are translated at the exchange rates in effect at year-end. Gains and losses resulting from the changes in exchange rates are reflected in the Statement of Operations and Retained Earnings.

Non-monetary Balance Sheet items as well as foreign currency revenues and expenses are translated at the exchange rate in effect on the dates of the related transactions.

F | MATERIALS

Materials, which are valued at the lower of weighted average cost and replacement cost, consist primarily of items used for the maintenance of rolling stock. An allowance for obsolescence is provided for materials.

G | PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment acquired from Canadian National Railway and Canadian Pacific Limited at the start of operations in 1978 were recorded at their net transfer values while subsequent acquisitions, including those acquired under capital leases, are recorded at cost.

The costs of refurbishing and rebuilding rolling stock and costs associated with other upgrading of property, plant and equipment are capitalized if they are incurred to improve the service value or extend the useful lives of the property, plant and equipment concerned; otherwise, such costs are expensed as incurred.

Retired property, plant and equipment are written down to their net realizable value.

Amortization of property, plant and equipment is calculated on a straight-line basis at rates sufficient to amortize the cost of property, plant and equipment, less their residual value, over their estimated useful lives, as follows:

Rolling stock	12 to 30 years
Maintenance buildings	25 years
Stations and Facilities	20 years
Infrastructure improvements	5 to 40 years
Leasehold improvements	3 to 20 years
Machinery and Equipment	4 to 15 years
Information systems	3 to 7 years
Other property, plant and equipment	3 to 10 years

No amortization is provided for projects in progress and retired property, plant and equipment.

H | CORPORATE TAXES

The Corporation follows the liability method of accounting for corporate taxes.

Under this method, the net change in the future corporate tax assets and liabilities is included in income. Future corporate tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse.

I | INVESTMENT TAX CREDITS

Investment tax credits are recognized when qualifying expenditures have been made, provided there is reasonable assurance that the credits will be realized. They are amortized over the estimated useful lives of the related property, plant and equipment. The amortization of deferred investment tax credits is recorded as a reduction of the amortization of property, plant and equipment. These credits are included in other long-term liabilities.

J | EMPLOYEE FUTURE BENEFITS

The Corporation accrues obligations under its employee future benefit plans.

The cost of pension and other employee future benefits earned by employees is actuarially determined using the projected benefit method prorated on services and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

On January 1, 2000, the Corporation adopted the new accounting standard on employee future benefits using the prospective application method. The Corporation is amortizing the transitional asset on a straight-line basis over 13 to 14 years, which was the average remaining service lives of the active employee groups at the time.

Past service costs are amortized on a straight-line basis over the expected average remaining service lives of the active employee groups which is, in most cases, estimated to be 12 years.

For the pension plans the excess of the accumulated net actuarial gain or loss over 10% of the greater of the accumulated benefit obligation and the fair value of plan assets is amortized on a straight-line basis over the average remaining service lives of the active employee groups which is, in most cases, estimated to be 12 years.

K | DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments such as swaps, call options and forward foreign exchange contracts, are utilized by the Corporation in the management of its exposure to changes in fuel prices. The Corporation does not enter into derivative financial instruments for trading or speculative purposes. The Corporation does not currently apply hedge accounting on these derivative financial instruments.

Derivative financial instruments are recognized on the Balance Sheet at inception and removed when they expire or are terminated. On the inception, each derivative is recognized at fair value as either an asset or a liability on the Balance Sheet and changes in fair value are recognized in the train operations and fuel expenses. Derivative financial instruments with a positive fair value are reported as derivative financial instrument assets and derivatives with a negative fair value are reported as part of accounts payable and accrued liabilities.

L | MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses and the disclosure of contingent assets and liabilities. The most significant estimates involve the recognition of liabilities and other claims against the Corporation, employee future benefits, future corporate taxes as well as the useful life of Property, Plant and Equipment. Actual results could differ from these estimates and such differences could be material.

M | *VIA PRÉFÉRENCE* PROGRAM

The incremental costs of providing travel awards under the Corporation's *VIA Préférence* frequent traveler reward program are accrued as the entitlements to such awards are earned and are included in accounts payable and accrued liabilities.

3 | ADOPTION OF NEW ACCOUNTING STANDARD

A | FINANCIAL INSTRUMENTS

In December 2001, the Accounting Standards Board issued Accounting Guideline (AcG-13) "Hedging Relationships," as amended. In June 2002, EIC-128, "Accounting for Trading, Speculative or Non-Hedging Derivative Financial Instruments," was also issued. AcG-13 establishes the criteria for identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. EIC-128 establishes that a freestanding derivative financial instrument that gives rise to a financial asset or financial liability and is entered into for trading or speculative purposes, or that does not qualify for hedge accounting under AcG-13 should be recognized on the Balance Sheet and measured at fair value, with changes in fair value recognized in income of the period. The Corporation adopted prospectively both AcG-13 and EIC-128 effective January 1, 2004.

As a result of applying the new accounting standards the Corporation recognized an unrealized gain of $4.9 million included in the train operations and fuel. The Balance Sheet impact of recognizing derivative financial instruments at fair value resulted in the recognition of a current asset of $3.9 million, a long-term asset of $2.9 million, a current liability of $1.4 million included in accounts payable and accrued liabilities and a deferred gain of $0.5 million which is included in deferred revenues and other credits. The deferred gain relates to derivative financial instruments that were outstanding at the beginning of the year and is amortized into earnings based on the original maturity date of the contract.

B | ASSET RETIREMENT OBLIGATIONS

Effective January 1, 2004, the Corporation retroactively adopted the method of accounting for asset retirement obligations set by the Canadian Institute of Chartered Accountant's section 3110, "Asset Retirement Obligations." The new rules apply to legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or the normal operations of long-lived assets. The Corporation has assessed its exposure to any asset retirement obligations and has determined that it has none as at December 31, 2004 and December 31, 2003.

4 | PROPERTY, PLANT AND EQUIPMENT

(IN MILLIONS OF DOLLARS)	2004			2003		
	COST	ACCUMULATED AMORTIZATION	NET	COST	ACCUMULATED AMORTIZATION	NET
Land	**5.0**	**-**	**5.0**	5.0	-	5.0
Rolling stock	**738.2**	**378.1**	**360.1**	673.7	343.4	330.3
Maintenance buildings	**179.9**	**116.3**	**63.6**	178.0	107.9	70.1
Stations and Facilities	**44.1**	**24.4**	**19.7**	43.3	22.2	21.1
Infrastructure improvements	**137.0**	**46.5**	**90.5**	130.8	43.0	87.8
Leasehold improvements	**112.8**	**82.3**	**30.5**	107.7	77.2	30.5
Machinery and Equipment	**33.7**	**27.5**	**6.2**	31.9	26.4	5.5
Information systems	**42.6**	**36.5**	**6.1**	36.6	32.4	4.2
Other property, plant and equipment	**20.0**	**19.1**	**0.9**	19.9	19.0	0.9
	1,313.3	**730.7**	**582.6**	1,226.9	671.5	555.4
Projects in progress			**25.3**			93.0
Retired property, plant and equipment (at net realizable value)			**2.1**			3.4
			610.0			651.8

Projects in progress as at December 31, 2004, primarily consist of rolling stock for $21.1million (2003: $76.9 million) and improvements to infrastructure and information systems for $3.4 million (2003: $7.6 million).

5 | ASSET RENEWAL FUND

The Corporation has been authorized by the Treasury Board of the Government of Canada to segregate proceeds from the sale or lease of surplus assets as well as up to $5 million of annual funding approved but not expended during the fiscal year to 2006.

The asset renewal fund includes the following investment instruments:

(IN MILLIONS OF DOLLARS)	**2004**		2003	
	COST	**MARKET VALUE**	COST	MARKET VALUE
Government of Canada bonds	**19.8**	**26.2**	19.4	24.2
Other Canadian bonds and debentures	**20.8**	**22.8**	16.1	17.5
Pooled equity unit trust	**57.7**	**67.6**	54.8	59.6
Cash and short-term investments	**12.4**	**12.4**	14.4	14.4
	110.7	**129.0**	104.7	115.7

The Treasury Board has approved an amount of $39.5 million (2003: $39.5 million) to fund prior years' operating deficits and certain property, plant and equipment while the balance of the asset renewal fund of $71.2 million (2003: $65.2 million) represents the funds that are retained for future investments in property, plant and equipment.

The weighted average effective rate of return on bonds and debentures as well as short-term investments as at December 31, 2004 was 5.01% (2003: 5.18%) and the weighted average term to maturity as at December 31, 2004 is 8 years (2003: 9 years).

The market value of bonds and debentures, pooled equity unit trust and short-term investments is based on the current bid price at the Balance Sheet date.

The Corporation is subject to credit risk from its holdings of the asset renewal fund. The Corporation minimizes its credit risks by adhering to the *Minister of Finance of Canada Financial Risk Management Guidelines for Crown Corporations* and the Corporate Investment Policy and by investing in high quality financial instruments.

6 | ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Accounts payable and accrued liabilities include the following:

(IN MILLIONS OF DOLLARS)	2004	2003
Accrued liabilities	**31.5**	17.1
Wages payable and accrued	**25.6**	22.6
Trade payables	**22.6**	19.3
Capital tax and sales taxes payable	**4.0**	12.7
Derivative financial instruments	**1.4**	-
Current portion of Network Restructuring	**0.8**	3.1
Account payable to the Government of Canada	**0.7**	-
Other	**0.1**	-
	86.7	74.8

7 | EMPLOYEE FUTURE BENEFITS

The Corporation provides a number of funded defined benefit pension plans as well as unfunded post retirement and post-employment benefits that include life insurance, health coverage and self insured Workers' Compensation benefits, to all its permanent employees.

The defined benefit pension plans are based on years of service and final average salary.

Pension benefits increase annually by 50% of the increase in the Consumer Price Index in the 12 months ending in December subject to a maximum increase of 3% in any year.

The latest actuarial valuation for the post-retirement and post-employment unfunded plans was carried out as at December 31, 2004. The results of this valuation are recorded in the 2004 Financial Statements.

The latest actuarial valuations of the pension plans were carried out as at December 31, 2001 by external actuaries who are members of the Canadian Institute of Actuaries. The next actuarial valuation will be carried out as at December 31, 2004 and will be available in June 2005. The actuarial valuation of the Supplemental Executive Retirement Plan is carried out annually. The last actuarial valuation was carried out as at December 31, 2003.

Based on these actuarial valuations and projections to December 31, 2004, the summary of the principal valuation results, in aggregate, is as follows:

(IN MILLIONS OF DOLLARS)	PENSION PLANS		OTHER BENEFIT PLANS	
	2004	2003	**2004**	2003
ACCRUED BENEFIT OBLIGATION:				
Balance at beginning of year	**1,260.6**	1,192.0	**29.5**	27.9
Current service cost	**14.7**	14.0	**4.0**	4.0
Employee contributions	**10.2**	10.2	**-**	-
Interest cost	**74.4**	76.6	**1.7**	1.8
Benefits paid	**(78.8)**	(66.9)	**(6.1)**	(5.0)
Plan amendments	**-**	-	**0.2**	-
Actuarial (gain) loss	**70.5**	34.7	**(1.8)**	0.8
Accrued benefit obligation at end of year	**1,351.6**	1,260.6	**27.5**	29.5
FAIR VALUE OF PLAN ASSETS:				
Balance at beginning of year	**1,370.1**	1,217.8	**-**	-
Actual return on plan assets	**162.5**	208.1	**-**	-
Employer contributions	**1.2**	0.9	**6.1**	5.0
Employee contributions	**10.2**	10.2	**-**	-
Benefits paid	**(78.8)**	(66.9)	**(6.1)**	(5.0)
Balance at end of year	**1,465.2**	1,370.1	**-**	-

The percentage of the fair value of the total pension plan assets by major category as at December 31 was as follows:

	2004	2003
ASSET CATEGORIES:		
Equity securities (public market)	**58.3%**	57.6%
Fixed income securities (public market)	**34.7%**	34.4%
Private equity, hedge funds and other	**5.7%**	6.0%
Real Estate	**1.3%**	2.0%
	100.0%	100.0%

(IN MILLIONS OF DOLLARS)	PENSION PLANS		OTHER BENEFIT PLANS	
	2004	2003	**2004**	2003
RECONCILIATION OF THE FUNDED STATUS:				
Fair value of plan assets	**1,465.2**	1,370.1	**-**	-
Accrued benefit obligation	**1,351.6**	1,260.6	**27.5**	29.5
Funded status of plans – surplus (deficit)	**113.6**	109.5	**(27.5)**	(29.5)
Unamortized net actuarial losses (gain)	**311.7**	319.2	**(0.3)**	1.5
Unamortized past service costs	**3.5**	4.0	**0.6**	0.5
Unamortized transitional (asset) obligation	**(282.9)**	(315.4)	**9.3**	11.7
	145.9	117.3	**(17.9)**	(15.8)
Network Restructuring long-term liability	**-**	-	**(1.4)**	(1.9)
Accrued benefit asset (liability)	**145.9**	117.3	**(19.3)**	(17.7)

ELEMENTS OF DEFINED BENEFIT COSTS RECOGNIZED IN THE YEAR:				
Current service cost	**14.7**	14.0	**4.0**	4.0
Interest cost	**74.4**	76.6	**1.7**	1.8
Actual return on plan assets	**(162.5)**	(208.1)	**-**	-
Actuarial losses (gains)	**70.5**	34.7	**(1.8)**	0.8
Plan amendments	**-**	-	**0.2**	-
Elements of employee future benefits (income) costs before adjustment to recognize the long-term nature of these costs	**(2.9)**	(82.8)	**4.1**	6.6
Adjustments to recognize the long-term nature of employee future benefits costs:				
Differences between:				
Expected return and actual return on plan assets for the year	**62.8**	119.2	**-**	-
Actuarial (loss) gain recognized for the year and the actual actuarial loss on accrued benefit obligation for the year	**(55.2)**	(9.1)	**1.7**	(0.7)
Amortization of past service costs for the year and the actual plan amendments for the year	**0.4**	0.4	**(0.1)**	-
Amortization of transitional (asset) obligation	**(32.5)**	(32.5)	**2.5**	2.5
Defined benefit (income) costs recognized	**(27.4)**	(4.8)	**8.2**	8.4

The employee future benefits expense in the Statement of Operations and Retained Earnings includes the pension plans net income, the other benefit plans net costs as well as the adjustment of the network restructuring accrual of $(0.1) million (2003: $0.4 million).

	PENSION PLANS		OTHER BENEFIT PLANS	
	2004	2003	**2004**	2003
WEIGHTED-AVERAGE OF SIGNIFICANT ASSUMPTIONS:				
Accrued benefit obligation as at December 31:				
Discount rate	**5.75%**	6.00%	**5.75%**	6.00%
Rate of compensation increase	**3.25%**	3.00%	**3.25%**	3.00%
Benefit costs for the year ended December 31:				
Discount rate	**6.00%**	6.50%	**6.00%**	6.50%
Expected long-term rate of return on plan assets	**7.50%**	7.50%	**-**	-
Rate of compensation increase	**3.00%**	3.50%	**3.00%**	3.50%
Assumed health care cost trend rates as at December 31:				
Initial health care cost trend rate	**-**	-	**7.12%**	5.93%
Cost trend rate declines to	**-**	-	**3.37%**	3.16%
Year ultimate rate is reached	**-**	-	**2011**	**2007**

SENSITIVITY ANALYSIS

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects for 2004:

(IN THOUSANDS OF DOLLARS)	INCREASE	DECREASE
Total service and interest cost	21	(22)
Accrued benefit obligation	197	(178)

8 | CORPORATE TAXES

The future corporate tax liabilities result from temporary differences relating to the accrued benefit asset and the unrealized gain on derivative financial instruments less the tax benefits relating to losses carryforwards, contingencies, the accrued benefit liability, other long-term liabilities and property, plant and equipment net of the valuation allowance.

The corporate tax (recovery) expense is represented by the large corporation tax recovery of $1.9 million (2003: expense of $1.6 million).

9 | DEFERRED CAPITAL FUNDING

(IN MILLIONS OF DOLLARS)	2004	2003
Balance, beginning of year	**674.9**	644.8
Government funding for depreciable property, plant and equipment	**20.2**	82.4
Amortization of deferred capital funding	**(59.4)**	(52.3)
Balance, end of year	**635.7**	674.9

10 | SHARE CAPITAL

The authorized share capital of the Corporation is comprised of an unlimited number of common shares with no par value. As at December 31, 2004 and 2003, 93,000 shares at $100 per share are issued and fully paid.

11 | COMMITMENTS

A | The future minimum payments relating to operating leases mainly for real estate and computer equipment are as follows:

(IN MILLIONS OF DOLLARS)	
2005	8.8
2006	9.0
2007	9.1
2008	8.1
2009	2.1
Subsequent years proportionately to 2049	118.0
	155.1

B | As at December 31, 2004, the Corporation has outstanding purchase commitments amounting to $12.3 million consisting mainly of the completion of rolling stock projects.

C | The Corporation has entered into train service agreements for the use of tracks and control of train operations expiring on December 31, 2008.

D | The Corporation has issued letters of credit totalling approximately $21.8 million (2003: $20.1 million) to various provincial government workers' compensation boards as security for future payment streams.

12 | DERIVATIVE FINANCIAL INSTRUMENTS

At year-end the corporation had the following Swaps and Call Option for Heating oil:

DESCRIPTION	MATURITY DATE	AVERAGE FIXED PRICE PER U.S. GALLON (USD)	NOTIONAL QUANTITY (U.S. GALLONS)	FAIR VALUE CAD (000'S)
Crude Swap	April 30, 2005	1.321	2,520,000	(293)
Crude Swap	December 31, 2005	0.737	7,560,000	3,803
Crude Swap	December 31, 2006	0.818	4,536,000	1,516
Crude Swap	December 31, 2007	0.800	4,536,000	1,250
				6,276

DESCRIPTION	MATURITY DATE	CAP PRICE PER U.S. GALLON (USD)	TRIGGER LEVEL PER U.S. GALLON (USD)	NOTIONAL QUANTITY (U.S. GALLONS)	FAIR VALUE CAD (000'S)
Crude Call Option	December 31, 2005	1.140	1.450	3,696,000	172
Crude Call Option	December 31, 2006	1.065	1.450	2,520,000	155
					327

At year-end the Corporation had the following U.S. forward foreign exchange contracts convertible into Canadian dollars:

DESCRIPTION	MATURITY DATE	FORWARD RATE CAD/USD	NOTIONAL AMOUNT (USD)	FAIR VALUE CAD (000'S)
Foreign Exchange	Monthly in 2005	1.3140	5,570	(619)
Foreign Exchange	Monthly in 2005	1.2900	2,177	(191)
Foreign Exchange	Monthly in 2005	1.2680	1,565	(102)
Foreign Exchange	Monthly in 2006	1.2900	2,117	(188)
Foreign Exchange	Monthly in 2006	1.2773	357	(27)
				(1,127)

The fair value of the positive balance of the above derivative financial instruments at December 31, 2004 is $6.9 million and the negative balance is $1.4 million. The $1.4 million is included in "Account payable and Accrued liabilities" as a short-term derivative financial instrument liability.

Included in the "Train operation and fuel" expense is a gain of $10.3 million on derivative financial instruments.

The Corporation is exposed to credit risk in the event of non-performance by the counterparty to its derivative financial instruments but does not expect such non-performance as the counterparty is of high credit quality.

13 | FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of the recognized financial instruments, except for the asset renewal fund, approximates their carrying value due to their current nature.

14 | RELATED PARTY TRANSACTIONS

The Corporation is related in terms of common ownership to all Government of Canada created departments and agencies. The Corporation enters into transactions with these entities in the normal course of business on trade terms applicable to all individuals and enterprises and these transactions are recorded at exchange value.

15 | CONTINGENCIES

A | The Canadian Transportation Agency (CTA) rendered a decision in October 2003 against the Corporation in favour of the Council for Canadians with Disabilities. The Corporation was directed to re-design and re-construct its Renaissance rail cars to remove certain undue obstacles to persons with disabilities.

In December 2003, the Corporation sought and obtained a stay of that decision from the Federal Court of Appeal and also sought and obtained leave to appeal the decision which was granted by Order of the Federal Court in March, 2004. The appeal was heard in November, 2004. The decision is under reserve.

If the CTA decision is upheld the cost of modifying the Renaissance cars would be significant. Management is of the opinion that this could cost between $50 million and $100 million an amount that would exceed funding approved by the Government of Canada for the Renaissance project. No provision has been made in the financial statements for the CTA decision.

B | The Corporation began a restructuring of its labour force in 1997 which resulted in the elimination of a number of positions. The changes became subject to various Canadian Industrial Relations Board (CIRB) decisions, mediations and arbitrations.

In May 2003, the CIRB rendered a decision directing the Corporation to pay back wages under certain circumstances to former conductors. The Supreme Court decided not to grant the Corporation leave to appeal a Federal Court of Appeal ruling supporting the decision of the CIRB.

The Corporation has made a provision for this estimated expense in its 2004 financial results.

C | The Corporation has performed an assessment of all of its operations and of all of its manned facilities in order to determine the environmental risks. The sites that are suspected to be contaminated will be further investigated in the coming years. Certain sites could eventually require decontamination measures or mitigation.

D | The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the accounts where required and the ultimate resolution of such contingencies are not expected to have a material adverse effect on the financial position of the Corporation.

16 | RECLASSIFICATION

The comparative financial statements have been reclassified from the statements previously presented to conform to the presentation of the 2004 financial statements.

CORPORATE DIRECTORY

AS AT DECEMBER 31, 2004

BOARD OF DIRECTORS

Greg Black
Bracebridge, Ontario

Jacqueline L. Boutet
Montreal, Quebec

Alan Chapple
Toronto, Ontario

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Acting Chairman of the Board
Calgary, Alberta

Jean-Louis Hamel
Montreal, Quebec

Barbara Kane
Halifax, Nova Scotia

Wendy Kelly
Regina, Saskatchewan

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Brantford, Ontario

Donald Pettit
Vancouver, British Columbia

Timothy Reid
Toronto, Ontario

James J. Smith, FCA
Winnipeg, Manitoba

*Anthony Friend, Q.C., Acting Chairman of the Board and Paul Côté, Interim President and Chief Executive Officer and Chief Operating Officer are ex-officio members of each Committee of the Board

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Interim President and Chief Executive Officer and Chief Operating Officer

Christena Keon Sirsly
Chief Strategy Officer

J. Roger Paquette
Chief Financial Officer

Steve Del Bosco
Vice-President, Marketing

Mike Greenberg
Vice-President, Procurement, Real Estate and Environment

Carole Mackaay
General Counsel and Corporate Secretary

John Marginson
Vice-President, Capital Program and Business Development

Denis Pinsonneault
Vice-President, Human Resources

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Timothy Reid
James J. Smith, FCA

VIA OFFICE LOCATIONS

Headquarters and Quebec
3 Place Ville-Marie
Suite 500
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) 494-7900

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

West
146-123 Main Street
Winnipeg, Manitoba
R3C 1A3
(204) 949-7447

1150 Station Street
Vancouver, B.C.
V6A 4C7
(604) 640-3700

WEBSITE

www.viarail.ca

DESIGN: WWW.EPICENTRE.QC.CA
PHOTOS: STUDIO SHOOT, JEAN-FRANÇOIS GRATTON
PRINTING: INTEGRIA

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