Annual Report 2018

VIA Rail Canada

Contents

2018 Milestones

January

VIA Rail kicks off winter festivities at the Carnaval de Québec with its Big Slide **(p. 29)**

February

Study conducted by Dalhousie University concluded that VIA Rail ranks high in trustworthiness, social responsibility, environmental responsibility, and ethical practices

March

Federal funding for the acquisition of a new fleet for the Québec City – Windsor corridor is announced by the Minister of Transport

April

Contract for renovations to ensure the accessibility of 17 train cars awarded to Bombardier **(p. 22)**

Cad Railway Industries is chosen for the refurbishment of 25 long-haul train cars **(p. 22)**

The RFQ process to replace the Québec City – Windsor corridor fleet is launched

May

The VIA40: Repurposing the past to move forward contest is launched **(p. 11)**

2018 Annual Public Meeting **(p. 21)**

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The 40 Sustainable Actions in 40 Canadian Communities initiative takes off **(p. 11)**

Launch of platform allowing employees, suppliers, and the public to anonymously report wrongdoing and unethical behaviour

July

VIA Rail helps promote the Canada–China Year of Tourism by adorning its trains with the official logo

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Intermodal partnership with the Train de Charlevoix is announced **(p. 29)**

Pets are welcomed on board trains in the Québec City – Windsor corridor **(p. 17)**

VIA Rail awarded the Excellence in Safety award by the Railway Association of Canada (RAC) **(p. 41)**

VIA Rail joins the Pride Parade in Ottawa and Montréal **(p. 28)**

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VIA Rail receives Silver Parity Certification from Women in Governance **(p. 41)**

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Citizenship ceremony hosted at VIA Rail's Ottawa station

The 10/10 Challenge is launched **(p. 35)**

VIAppreciation recognition platform pilot project launched **(p. 35)**

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VIA Rail celebrates its 40th anniversary on October 29

The Poppy Campaign is launched in the Québec City – Windsor corridor

Contract awarded to *Rail GD* for the renovation of four dining cars **(p. 22)**

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VIA Rail Chairperson Françoise Bertrand is honoured by the Réseau des femmes d'affaires du Québec **(p. 41)**

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Siemens Canada is awarded contract for the replacement of the Québec City – Windsor corridor fleet **(p. 23)**

VIA Rail at a Glance

Who We Are

VIA Rail operates Canada's national passenger rail service on behalf of the Government of Canada. An independent Crown corporation established in 1977, VIA Rail provides a safe, cost-effective, and environmentally responsible service from coast to coast in both official languages. The Corporation operates close to 514 train departures weekly on a 12,500-km network, connecting over 400 Canadian communities. With 3,115 employees at the end of the calendar year, VIA Rail carried close to 4.8 million passengers in 2018.

Where We Operate

400+

communities served across Canada

Passenger Revenues Per Train Route

80%

of passenger revenues are from inter-city travel (in the Corridor)

80%	19%	1%
Inter-City Travel	Long-Distance	Regional

Passenger Trips Per Train Route

96%

of passenger trips consist of inter-city travel (in the Corridor)

96%	3%	1%
Inter-City Travel	Long-Distance	Regional

Inter-City Travel (in the Corridor)

In the densely populated Corridor between Québec City, QC and Windsor, ON, VIA Rail trains provide travel between the downtown cores of major urban centres, as well as between suburban centres and communities.

Long-Distance Travel and Tourism

In Western and Eastern Canada, VIA Rail's trains support Canada's tourism industry by attracting travellers from around the world. The *Canadian*, VIA Rail's western transcontinental train, provides service between Vancouver and Toronto. In Eastern Canada, the *Ocean* runs between Montréal and Halifax.

Regional Services

VIA Rail provides passenger service in several rural and remote regions of Canada. Mandated by the Government of Canada to meet essential transportation needs, these trains serve many communities where alternative, year-round transportation is limited or unavailable.

* Services on Vancouver Island and Gaspé are suspended due to infrastructure availability.

Our key assets reflect the breadth of our business, from our stations and maintenance centres to the fleet of locomotives and train cars we operate, the passengers we serve, the buildings we occupy and the employees who work for us.

Frequency Train Departures

514

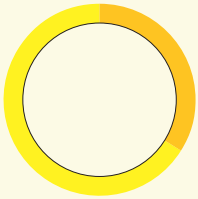
per week, of which 87% of our trains depart on time

Employees

3,115

Active Employees
as of the end of the calendar year

Employee Diversity



36%

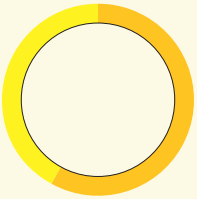
of our employees are women,
13% are visible minorities,
2% are people with disabilities, and
2% are Aboriginal People

Fleet

431

Train Cars
(in and out of service)

Locomotives



73

of which **71%** have been rebuilt for improved operational and environmental efficiency

Passengers

4.74M

passenger trips covering 1.5 billion kilometres across Canada, of which: 96% is inter-city travel, 3% is long-distance and 1% is regional.

Buildings

121

Train Stations
of which **54** are heritage stations

7

Offices
1 head office, **6** regional

4

Maintenance Centres
state-of-the-art facilities

Message from the Chairperson

2018 was a remarkable year for VIA Rail. We celebrated our 40th anniversary with inspired confidence, brought on by consistent growth both in terms of revenue and ridership. Forty years – that represents four decades serving Canadians and connecting people coast to coast. With this, we look proudly to the future. We were also delighted with the Government of Canada's commitment to fund the replacement of our aging fleet with a brand-new set of trains in the Québec City – Windsor corridor. What an amazing announcement for the communities which VIA Rail serves. They deserve an interurban mode of transport truly adapted to their connectivity and accessibility needs.

In light of the announcement of federal funding for a new fleet, a special Board committee was created to oversee and support the process of procuring new train sets for use in the Québec City – Windsor corridor. This committee followed the rigorous, transparent and fair Request for Procurement procedure, after which Siemens Canada was awarded the contract. Throughout the process, VIA Rail benefitted from the full collaboration of Transport Canada along with other associated departments of the Government of Canada. We are confident that Siemens Canada will deliver a comfortable, safe and efficient fleet, on time and on budget, to better serve Canadians in the Corridor.

Throughout the year, VIA Rail continued to work closely with Transport Canada on major projects such as our high frequency rail (HFR) project in order to provide the information and thorough analysis required before a decision can be made, as was the case for the fleet replacement project.

In terms of governance, our Board, made up largely of new directors, has reached the milestone of its first full year of work. One of our first initiatives was to re-evaluate our structure to better support VIA Rail. This led to the creation of new committees of the Board, including a committee devoted to communication and stakeholder relations as well as one to oversee major projects and capital spending.

Furthermore, one member stepped down during the year, leaving a total of 10 members of the Board of Directors. To address the vacancies, the Government of Canada posted three openings on its Governor in Council website, as the Board may have up to 13 members. A special selection committee was formed by the Government of Canada, and the three new Board members were appointed in the first quarter of 2019.

In 2018, VIA Rail garnered many awards and recognitions. Among those, it was honoured for its continued safety improvement programs and for its work with the Canadian Council of the Blind. Of particular pride to me was the Silver Parity Certification the Corporation received from Women in Governance. This award recognizes our success in promoting and supporting women in their leadership development, career advancement, and representation at all levels of the organization.

FRANÇOISE BERTRAND
Chairperson of the Board, VIA Rail

I would like to thank my colleagues on the Board of Directors for their dedication and collaboration. As well, I wish to congratulate VIA Rail's Management team led by Yves Desjardins-Siciliano, along with all of VIA Rail's employees across every department for their commitment and contribution to our notable results. It is thanks to them that, once again this year, more and more Canadians have chosen VIA Rail for their travel.

As we were finalizing the 2018 report, a new chapter began at VIA Rail with the announcement of a change at the helm. On behalf of the Board of Directors, I wish to thank Mr. Desjardins-Siciliano once again for his dedication to serving Canadians, and particularly for his clear vision and profound commitment to propel VIA Rail into the future. Under his leadership since 2014, the corporation has made great strides, notably the 25% growth in our overall ridership between 2014 and 2018, the proposal and implementation of our ongoing fleet refurbishment program and the development of our high frequency rail project. All of us on the Board, and I am certain all employees, are grateful for his impressive achievements as well as his strong leadership.

The recent appointment of Ms. Cynthia Garneau as President and Chief Executive Officer for a five-year mandate allows us to look to the future with confidence and to maintain our momentum towards attaining our vision. Accustomed to sizeable challenges, Ms. Garneau is an accomplished leader who enjoys great credibility within the transportation industry. We wish to welcome her to VIA Rail, and offer her our full support in the pursuit of our modernization plan. The next 40 years are looking promising!

Message from the President

It is hard to believe that yet another year has passed – and what a year it's been! Just as the Canada 150 festivities came to an end, we began celebrations for VIA Rail's 40th Anniversary as a Crown corporation dedicated to passenger rail.

At VIA Rail, it was important for us to not only mark the occasion, but also to show our appreciation and provide opportunities for Canadians to join in the festivities. Throughout the year, events were held to mark the milestone and delight the public. Among them, repurposing the past to help build the future inspired our anniversary contest in which 40 lucky Canadians won a commemorative train ticket (worth a trip for two to any VIA Rail destination) forged from the steel of a retired train that had travelled over six million kilometers. As well, throughout the summer passengers unknowingly walked into specially set up train cars to experience a unique and celebratory trip. What's more, our employee-led initiative, 40 Sustainable Actions for 40 years, saw VIA Rail employees volunteering their time for projects in the communities we serve across Canada. In short, it's been a year to remember!

Before reaching our anniversary, for the past four years in fact, we have been working to attract more passengers and grow revenue through a multi-faceted strategic approach, which included several initiatives that have now been deployed: we have increased train frequencies along key routes, optimized train capacity through updated network planning tools, and put new revenue management systems in place. Since we began our growth journey, we have seen our efforts bear fruit. For a fourth consecutive year, there has been an increase in both ridership and revenue.

This year alone, we transported close to 4.8 million passengers across Canada, an 8% increase compared to 2017 and a remarkable 25% increase since our journey began in 2014. We saw ridership increase most notably along our busiest routes within the Québec City – Windsor corridor, where more and more people are choosing to take the train for business or pleasure, no matter the weather. While we take great pride in being the safest and most reliable transportation option, this year we further developed our winter readiness plan to help us face the harshest Canadian winters.

The optimization of our operations has also laid the foundation for our forward-looking Modernization Plan, which includes three large-scale projects that will reimagine the Canadian journey. First, this year marked the launch of the Heritage Fleet Replacement Program, which includes the renovation and refurbishment of 79 train cars – 17 to full accessibility. Then, VIA Rail was thrilled that the 2018 Federal Budget allocated the funding needed for a brand-new fleet of trains for the Québec City – Windsor corridor. Following a rigorous RFP process this year, the contract for the new fleet was awarded to Siemens Canada. The remaining element of our Modernization Plan is our proposed high frequency rail. The 2018 Federal Budget also allocated funding for the conclusion of studies on this initiative, which will help the Government of Canada in its decision-making process. Through HFR, VIA Rail would acquire the rights to use or build tracks in the Québec City – Windsor corridor, where passenger trains will be the priority. Together, these projects will change the face of inter-city travel in Canada.

YVES DESJARDINS-SICILIANO

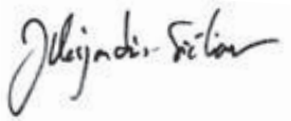
President and Chief Executive Officer,
VIA Rail

And finally, born out of the transformation we've been undergoing, inside and out, as we continually strive to become the smarter way to travel for Canadians, we launched our Love the Way communication strategy. Love the Way says so much about what VIA Rail has worked hard to become: The easy, sustainable and enjoyable choice for inter-city travel in Canada. From passengers to employees and stakeholders, making sure that we all love the way is what drives us to do our best every day.

I encourage you to read more detailed information about our many initiatives, including all those mentioned above, in this report.

As I write this message, 2019 is in full swing with its own array of events, among them the arrival of a new President and Chief Executive Officer. Since 2014, I've had the honour and privilege of serving Canadians as head of VIA Rail alongside exceptional colleagues who, like me, and each in their own way, strive to offer our passengers nothing but the best and to have a positive impact on the country's future. The challenge is to ensure that inter-city passenger rail continues to play a key role in Canada's economic prosperity, social development and environmental protection efforts.

On a personal level, I feel proud to have led initiatives on the promotion of gender equality, notably by promoting the development, career advancement and representation of women at VIA Rail. The fact that my successor is the first woman to lead a national railway corporation in this country is not only indicative of the times, but also a salute to diversity in high-level management positions within our traditionally masculine industry. With that, I hand the torch over to our next president, Cynthia Garneau, confident that she brings with her the energy and experience required for the continuation and progression of all our projects. I know that she will bring her own vision for a smart and sustainable way forward for all Canadians, and that she will be solidly supported by all our dedicated employees and Board of Directors in successfully pursuing VIA Rail's modernization.



Year at a Glance

Financial Results are produced according to International Financial Reporting Standards. Financial statement results by line have been reclassified to reflect the internal presentation.

	2018	2017	2016	2015	2014
Key Financial Indicators (in millions of dollars)					
Total passenger revenues [1]	**369.0**	342.6	301.1	275.0	259.6
Total Revenues [1]	**392.6**	**365.7**	**324.3**	**297.8**	**280.3**
Operating expenses [1]	**633.4**	592.6	554.4	520.0	509.0
Contributions for employee benefits [1]	**31.8**	38.4	37.4	57.8	88.4
Total Operating Expenses [1]	**665.2**	**631.0**	**591.8**	**577.8**	**597.4**
Operating Loss	**272.6**	**265.3**	**267.5**	**280.0**	**317.1**
Capital expenditures	**123.8**	88.4	91.0	97.9	81.8
Total Funding Required	**396.4**	**353.7**	**358.5**	**377.9**	**398.9**
Government Operating Funding	**272.6**	265.3	267.5	280.0	317.1
Government Capital Funding	**121.8**	88.4	86.3	97.9	80.9
Total Government Funding	**394.4**	**353.7**	**353.8**	**377.9**	**398.0**
Asset Renewal Fund	**2.0**	**-**	**4.7**	**-**	**0.9**
Key Operating Statistics [2]					
Total passenger-miles (in millions)	**992**	954	858	822	808
Total passengers (in thousands)	**4,745**	4,392	3,974	3,818	3,800
Total seat-miles (in millions)	**1,745**	1,662	1,578	1,457	1,349
Operating deficit per passenger-mile (in cents)	**27.5**	27.8	31.2	34.1	39.2
Yield (cents per passenger-mile)	**36.4**	35.0	34.3	32.5	31.2
Train-miles operated (in thousands)	**6,825**	6,720	6,547	6,347	6,160
Car-miles operated (in thousands)	**44,766**	43,604	42,637	40,120	36,958
Average passenger load factor (%)	**57**	57	54	56	60
Average number of passenger-miles per train mile	**145**	142	131	130	131
On-time performance (%)	**71**	73	73	71	76
Number of full time equivalent employees during the period	**3,207**	3,011	2,787	2,694	2,608

(1) Financial statement amounts were adjusted to reflect funded activities.
(2) Key operating statistics are unaudited.

Key Operating Statistics by Service Group

Train Service Summary – For the year 2018 (Revenues and costs by train service are unaudited)

Train Services	Revenues (in thousands)	Costs (in thousands)	Shortfall (in thousands)	Subsidy per passenger	Subsidy per passenger-mile	Passengers per week	Passengers per year
Montréal-Ottawa-Toronto	$192,607	$285,372	$92,765	$36.65	$0.16	48,681	2,531,393
Québec-Montréal-Ottawa	$58,190	$81,857	$23,667	$27.32	$0.18	16,658	866,244
Corridor East	**$250,797**	**$367,229**	**$116,432**	**$34.27**	**$0.17**	**65,339**	**3,397,637**
Toronto-London-Sarnia-Windsor	$53,048	$74,894	$21,846	$20.19	$0.17	20,805	1,081,867
Toronto-Niagara	$1,545	$6,709	$5,164	$97.54	$1.23	1,018	52,943
South Western Ontario (SWO)	**$54,593**	**$81,603**	**$27,010**	**$23.80**	**$0.20**	**21,823**	**1,134,810**
Corridor	**$305,390**	**$448,832**	**$143,442**	**$31.65**	**$0.17**	**87,162**	**4,532,447**
Montréal-Halifax	$11,507	$53,602	$42,095	$544.23	$1.03	1,487	77,348
Toronto-Vancouver	$72,473	$121,410	$48,937	$596.15	$0.48	1,579	82,089
Longhauls	**$83,980**	**$175,012**	**$91,032**	**$570.96**	**$0.64**	**3,066**	**159,437**
Montréal-Gaspé	$0	$0	$0	n/a	n/a	0	0
Montréal-Jonquière	$416	$5,984	$5,568	$514.32	$3.17	208	10,826
Montréal-Senneterre	$395	$6,459	$6,064	$627.03	$3.29	186	9,671
Sudbury-White River	$233	$3,568	$3,335	$528.52	$3.71	121	6,312
Winnipeg-Churchill	$725	$12,969	$12,244	$1,227.22	$7.30	192	9,977
Jasper-Prince Rupert	$1,500	$9,788	$8,288	$519.49	$1.59	307	15,956
Mandatory	**$3,269**	**$38,768**	**$35,499**	**$673.07**	**$3.12**	**1,014**	**52,742**
The Pas and Pukatawagan[1]	n/a	$2,591	$2,591	n/a	n/a	n/a	n/a
System	**$392,639**	**$665,203**	**$272,564**	**$57.45**	**$0.27**	**91,242**	**4,744,626**

(1) Service operated by Keewatin Railway Company between The Pas and Pukatawagan.

Review of Operations

Happy 40th, VIA Rail

In 2018, VIA Rail celebrated its 40th anniversary as a non-agent, Canadian Crown corporation dedicated to passenger rail. To mark the occasion, we took the time to plan meaningful events to thank Canadians for their support, give back to the communities we serve, and show our appreciation for our dedicated employees.

The Future is on Board

Our vision toward a more sustainable future for Canada was reflected in our 40th anniversary motto, "The future is on board," which was displayed through creative and eye-catching train wraps. Since January, these wraps, also adorned with our VIA 40 logo and colours, have been visible on 41 train sets.

40th Anniversary Contest

Over the summer, VIA Rail held a unique travel contest for Canadians. Close to 275,000 people registered online for their chance to win one of 40 commemorative steel anniversary tickets, forged from a retired train part that had covered over six million kilometers, the equivalent of 1,000 trips across the country, so that it could continue its journey toward a more sustainable future. Contest winners received a round trip for two to travel from coast to coast or to any destination served by VIA Rail.

Anniversary Cars

As a fun surprise for passengers, 20 anniversary cars in Economy class were secretly selected along our routes from Halifax to Vancouver. The interiors of the celebratory cars were decorated so that travellers knew from the moment they boarded that something special was happening. During their trip, each passenger was gifted a box full of surprises that included a free meal, discount coupons and other small mementos. One lucky winner in each Anniversary car found an extra surprise in their gift box: a one-night getaway for two to the VIA Rail destination of their choice.

40 Sustainable Actions: An Employee Initiative

To give back and to thank Canadians for their loyalty over the years, VIA Rail launched the 40 Sustainable Actions for Our 40th Anniversary national initiative. The community-based and employee-led actions touched on the Corporation's sustainable mobility pillars by undertaking 40 collaborative gestures that were chosen for their long-term impact on communities. By the end of 2018, employees had volunteered on and completed over 40 sustainable actions across the country, including building water storage ponds in Drummondville, Québec, participating in the Parade of Lights in Halifax, Nova Scotia, benefiting the QEII Health Sciences Centre Foundation, and supporting Butterfly Lanes in Vancouver, British Columbia.

Happy 40th, VIA Rail

1. Anniversary decorations on board trains.
2. Shaping the future contest where 40 lucky winners won a coast-to-coast trip for two.
3. Special anniversary train ticket created from a melted-down retired train that travelled more than 6 million kilometers—the equivalent of 1,000 trips across Canada.
4. Train wrap featured on 22 locomotives.
5. Vladimir Jean-Pierre, SR. Manager, Customer Experience, in Toronto, wrapping gifts for kids.
6. Friends for Mental Health joined us at the Dorval station for the planting of red maples as part of our 40th anniversary celebrations.
7. Our employees visited the Société d'Alzheimer de la Rive-Sud to help prepare the patients' therapeutic garden for the winter.

5.

6.

7.

Growing our Community

Skip the Traffic Talk

As part of the "Why don't you take the train?" marketing campaign, VIA Rail advertisements made their online debut during the second quarter of 2018. In the ads, VIA Rail shed a comical light on how our frustrations with traffic become a regular part of our daily conversations. Playing on the concept of skipping video ads online, VIA Rail encouraged travellers to "skip" the traffic talk by taking the train.

Love the Way

VIA Rail is in the midst of a remarkable transformation as we reimagine the Canadian journey by creating smarter ways to travel. As we undergo our modernization, our values of innovation, trust and agility have helped guide our actions. The process of this evolution and everything that it has entailed paved the way for our new communication platform – Love the Way – which quickly grew into the driving force behind what we do every day.

Love the Way is about reconnecting with the pure joy of the journey, in a way that benefits not only the passenger but the whole country. We are encouraging more and more Canadians to rediscover the pleasures of train travel and thus contribute to a better future—environmentally, economically, and socially. It will lead our company's transformation so that our passengers, our stakeholders, and our employees can all Love the Way.

The new communication platform has been deployed on various marketing channels: on television, in movie theatres, through online videos and banners, digital billboards, and print media across the Québec City – Windsor corridor. Our website was also updated so that our public can Love the Way with an improved user experience that is better tailored to their needs.

← Bus shelter advertisements in select cities in the Corridor for Q4 campaign.

→

1. Billboard advertisement in downtown Toronto for Q4 campaign.
2. Advertisement on Toronto streetcars for Q4 campaign.
3. Web pre-roll video advertisement for Q3 campaign.


Love
the places
you
discover
CF Toronto Eaton Centre
FOREVER 21

1.


love
the
way

2.


Skip the traffic talk

3.

Onboard Experience

New Pet Policy

For many people, pets play an important role in their lives by bringing them comfort and companionship. As part of our ongoing efforts to improve our passengers' travel experience, VIA Rail revised its pet policy to allow passengers to come on board with their small cats or dogs. In August, the new pet policy took effect and passengers travelling in both Economy and Business class on our trains in the Québec City – Windsor corridor can bring along their furry companions. Those who wish to bring their pets on board can review the full pet policy on our website.

Highlighting Local Products

VIA Rail makes every effort to promote and support local Canadian products on board our trains. New menu items were selected this year, and our craft beer offering on board the *Ocean* now includes Maybee Brew from New Brunswick, along with a further selection of locally sourced beer. Meanwhile, in the Québec City – Windsor corridor, we continued our rotation of local wines and craft beer, adding wines from the Palatine Hills Estate Winery in Niagara-on-the-Lake along with beer options from Toronto-based Steam Whistle Brewing.

In response to requests from our passengers, upgrades were made to the selection of vegan, gluten-free and diabetic meals. These changes were very well received. Additionally, our meal offerings on the *Canadian* train were expanded to accommodate unforeseeable schedule changes; we have now added an extra breakfast, lunch and dinner option, available if needed.

Audio on Board

VIA Rail was asked to be part of a podcast series that evolved from discussions with our passengers. Led by six researchers working on behalf of not-for-profit media organization Challenge for Change, the group spent a summer travelling across Canada by train, striking up conversations with passengers. The results were incredible; the exchanges captured were thought-provoking and honest, and they offered an important insight on what it means to be Canadian. The series, called C4C Conversations, is the first podcast available through our On-Train Entertainment system in the Québec City – Windsor corridor.

Passengers in the Corridor can also groove to different melodies thanks to the Stingray Music app, VIA Rail's first music partner. By downloading the app while on board, passengers can use it for free for up to six months. Stingray Music, a Canadian company, offers 50 channels handpicked for VIA Rail commuters, along with 2,000 other channels catering to every musical taste, from Franco Country and Pop Classics to Reggae and Canadian Indie. Stingray Music places a special focus on supporting local musicians – 15,000 Canadian bands and artists are broadcast through the app.

Our Assets: Stations and Infrastructure

Better Signage on Digital Towers

Our stations are being modernized to provide a better passenger experience. We improved the boarding process by providing clearer signage in stations and installing digital towers with large vertical screens in five stations – Toronto, Ottawa, Montréal, Kingston and Québec City.

In addition to essential information like gate and train numbers, destinations, and stops, the screens display important messages for passengers about baggage checking and updated seat configurations. They can also broadcast security messages, including Amber Alerts. Between boarding periods, the towers show our new advertisements, onboard offers, menus, and other pertinent information.

Maintaining our Infrastructure

VIA Rail made progress on its planned projects for 2018–2019, including work on VIA Rail-owned tracks, bridges and signals, for which $23.5M was allocated. A further $11.5M was allocated for network improvements and other network projects.

The work to transition from bolted tracks to continuous welded tracks in the Ottawa region was completed, allowing for a smoother and more comfortable ride. As well, a tie replacement program and a rail maintenance program to maintain the overall safety of our infrastructure were both completed in the Ottawa and Chatham regions. In the Windsor region, a major fencing program to reduce railway intrusions and increase safety is under way with the collaboration of the City of Windsor and Transport Canada. The program will be extended to other locations in the Smiths Falls subdivision with the support of Transport Canada.

1.

1. New digital boarding gate displays in select stations across the Corridor.
2. Elevated platform.
3. Fully accessible elevator to under track tunnel.
4. Over $20M invested in the modernization and renovation of Ottawa Station.

2.

3.

4.

Ottawa Station

VIA Rail's station in Ottawa has become a sustainable mobility hub with major projects that have improved accessibility and efficiency. Over the year, upgrades made the station fully accessible while enhancing its overall safety and security. In April, a new heated and elevated platform for level boarding was put into service. New elevators providing access to the tunnel leading to boarding platforms were also installed. These projects, along with a new electrical and mechanical room, represented a $20M capital investment. The electrical and mechanical room project is part of the 2014 Infrastructure Program, for which the Corporation received $102M in funding. The renovations are in addition to previously completed work including upgrades to the roof and canopies, which improved insulation and extend the life of the station.

Furthermore, a pilot project to enable people with visual impairments to autonomously navigate through the station was also launched. More information about this project can be found in the accessibility section of this report on p. 23. This is one small part of what makes VIA Rail the most accessible inter-city transportation mode in Canada.

Halifax Station Renovation

Work began at Halifax Station to improve the overall condition and showcase the historic architecture of this heritage building. The renovations will also improve the comfort and well-being of our passengers and optimize accessibility.

The work includes the replacement of the central hall roof and skylight to enhance the heritage character of the building. The main doors will also be replaced to optimize accessibility for people with reduced mobility. Other work includes the installation of a new air conditioning system and the refurbishment of the main parking lot to meet sustainable development guidelines. The expected completion date is spring of 2019.

TMC Wheel Replacement

A new wheelset replacement system in the servicing area was installed at the Toronto Maintenance Centre (TMC). This new system will allow for more efficient servicing of trains by increasing the capacity to change wheelsets without removing cars from service. This has allowed us to increase fleet availability, reduce equipment downtimes and improve overall cycling efficiency and on-time performance, which is of great benefit to our passengers.

Online

Community Information and Access

Through a new community information page, VIA Rail now provides advance notice to residents of upcoming work happening in their communities. The page can be found online at community.viarail.ca, and the public is encouraged to subscribe to receive work updates by SMS.

As well, a new web platform allowing third parties to request access to VIA Rail property was put in place. The Rail Request page is now available online at railrequest.viarail.ca.

Annual Public Meeting

VIA Rail held its 2018 Annual Public Meeting by webcast with the goal of reaching a greater audience and engaging with the public. This year we received an unprecedented number of questions – almost 1,500! The most frequently asked questions were collected and put to a vote, and the top 10 were answered by the President during the live event. Subtitled versions of the Annual Public Meeting are available on VIA Rail's YouTube channel in both official languages. The answers to all of the questions we received can be found in the Annual Public Meeting section of our website.

VIA: The Blog Reaches Broader Audiences

Through its travel blog, VIA Rail showcases Canada's vibrant cities and communities from coast to coast. In 2018, we published 49 inspirational travel articles about large and small communities along our routes.

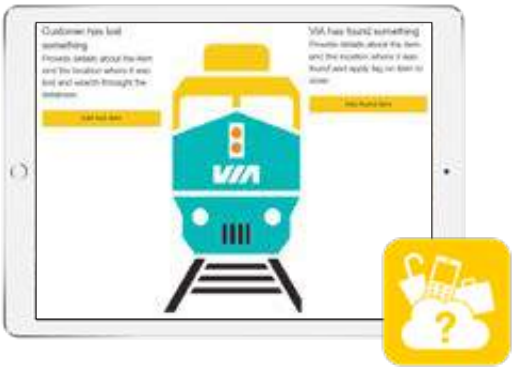
This year, VIA: The Blog collaborated with Passion Passport, a community of influencers, travel writers, photographers and videographers who inspire others to travel through their stories and experiences. Writers from Passion Passport travelled by rail to different cities from coast to coast, including Ottawa, Halifax, and Vancouver, and shared their journeys through their own vehicles as well as on our blog. By the end of the year, through cross-promotional blogs and social media posts, the partnership generated over 120,000 engagements and over 14 million impressions online.

Lost and Found App

VIA Rail launched a Lost and Found app, which facilitates the locating and returning of items forgotten on our trains and in stations. The database, accessible via mobile application or web platform, enables employees to categorize lost items to track their status, location, and much more. Since its launch in October, over 200 items have already been returned to their owners.

↓ **Yves Desjardins-Siciliano, President and CEO of VIA Rail Canada, presenting at the Annual Public Meeting.**

↓ **VIA Rail launched a Lost and Found app.**



Modernization Plan

Heritage Fleet Refurbishment Program

This year, the Corporation made important progress as part of its commitment to leading Canadians towards a more sustainable future. Employing a "reuse-recycle-repurpose" approach that will extend the useful life of our Heritage Fleet, 79 train cars will be renovated over the next few years through our Heritage Fleet Refurbishment Program.

Bombardier Transport in La Pocatière, Québec, was awarded a contract for the renovation of 17 train cars to full accessibility. In summer, the first milestone of the Bombardier contract was reached through consultation with various organizations representing people with disabilities (the Canadian Council of the Blind and Canadian Association of the Deaf), people with reduced mobility (Rick Hansen Foundation), families, and regulating parties, including Transport Canada and the Canadian Transport Agency. A full-sized soft mock-up of the new configuration of the accessible areas of the car, which will act as a proof of concept for the design, was constructed and presented to inform and gather feedback from these groups. Overall feedback has been positive, and the soft mock-up will be used for training and familiarization purposes in other locations.

Cad Railway Industries in Lachine, Québec, was also contracted to upgrade and refurbish 25 stainless steel cars.

Rail GD in New Richmond, Québec, was awarded a contract to completely refurbish and transform four dining cars.

At our Montréal Maintenance Centre (MMC), VIA Rail is in the midst of renovating up to 33 train cars, and in August the MMC rolled out the first renovated Economy class car. The work includes refreshing the interior design and overhauling the railcars' systems to ensure the fleet's long-term reliability. At the end of the year, four more cars were on the production line: three Economy cars and one Business class car.

These investments, totalling close to $154 million, are an important step in VIA Rail's plan to offer Canadians a more accessible and sustainable passenger rail service. The program will help VIA Rail deliver the best customer experience by improving the reliability and comfort of our train cars. The 79 renovated cars are destined for use on VIA Rail's long-distance route, the *Canadian,* which runs between Toronto and Vancouver.

Supplier	Location	Cars	What?	Delivery of first car	Delivery of last car
Bombardier	La Pocatière	17	Complete refurbishment to be fully accessible	Q3 2019	Q3 2020
Cad	Lachine	25	Complete refurbishment	Q1 2019	Q1 2020
MMC	Montréal	33*	Complete refurbishment	Q3 2018	Q1 2020
Rail GD	New Richmond	4	Complete refurbishment of diner cars	Q2 2019	TBD

*Up to 33 cars.

VIA Rail's New Train Fleet

Starting in 2022, VIA Rail passengers travelling on the Québec City – Windsor corridor will enjoy a new era of trains with more comfortable seats, offering more spaces for people with reduced mobility and equipped with the latest technology to be more fuel-efficient and reduce the carbon footprint of travel.

The 2018 Federal Budget confirmed the funding required for a much-needed new corridor fleet for VIA Rail. Following a fair, open, rigorous, and transparent bidding process under the oversight of an independent fairness monitor and VIA Rail's Board of Directors, Siemens Canada was awarded a $989 million contract to build the 32 train sets. On-time delivery, quality of product and price were the main criteria on which all the proponents were evaluated.

Some of the key features of the new trains include wide seats, quiet zones, new interior design elements, bike storage, and flexible luggage space. Trains will also offer universal accessibility features designed to exceed accessibility standards, such as multiple spaces for wheelchairs, braille seat numbering, and a mobility device lift, among many other accessibility features.

High Frequency Rail Project

The 2018 Federal Budget allocated funding for further studies toward our proposed high frequency rail (HFR) project, which will help Transport Canada in its decision-making process. VIA Rail is proposing to expand its current service offering by introducing HFR in the Québec City – Windsor corridor. Through HFR, VIA Rail will add a dedicated passenger track between Toronto, Ottawa, Montréal, and Québec City, via Peterborough and Trois-Rivières, to its current network.

In conjunction with the new fleet and the modernization projects, our HFR project will transform passenger rail in Canada by creating a faster, reliable, convenient, and more frequent service that will take cars off the road and decrease emissions.

Improving Accessibility

Since 2010, VIA Rail has invested $162M in its assets and amenities in order to improve accessibility and enhance the overall passenger experience, $76M of which was invested in its stations.

Members of the Canadian Council of the Blind and the Canadian National Institute for the Blind participated in a full day of workshops. During these sessions, participants were asked what would make for a better travel experience and what would make it easier for them to navigate through stations. The workshops aimed to get first-hand input from a portion of the people who will benefit from these services in order to understand the realities of travelling for the blind and partially sighted.

Later in the year, VIA Rail and the Union of Railways (UIC) collaborated on a project with the goal of enabling blind and/or partially sighted passengers to navigate a station from entrance to platform and back autonomously. To this end, a group of seven individuals tested newly-installed technology at Ottawa Station. This endeavour, which once again included the participation of the Canadian Council of the Blind and the Canadian National Institute for the Blind from step one, consisted of an open and transparent dialogue and partnership.

Following our tests, all parties agreed that the optimal pairing of two technologies: beacon-based wayfinding (through a mobile app) and echolocation obstacle detection (using a wearable device, in this case a wristband) would best address the needs of the visually impaired. The results of the proof of concept were promising, and work will continue to improve the technology in preparation for a broader deployment.

Modernization Plan

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1. VIA Rail's new fleet will offer more space for people with reduced mobility.
2. VIA-UIC collaboration with Canadian Council of the Blind and Canadian National Institute for the Blind to explore autonomous navigation at the Ottawa Station.
3. Sonar wristband.

4-5. Design of the new fleet (inside and outside).

6. VIA Rail's new train fleet will offer more spaces for people with reduced mobility.

Performance and Results

Improving Operating Performance

VIA Rail is Canada's only integrated passenger train service operator. Over 3,100 employees provide every facet of our services: from train maintenance to on-train operations, in-station services to call centre operations. Thanks in large part to their efforts, the number of passenger miles travelled has increased by 23% since 2014. As a result, the government operating subsidy per passenger mile (excluding pension past service costs) has been reduced from 31.4 cents to 26.7 cents, a 15% improvement. In the Québec City – Windsor corridor, the government operating subsidy per passenger mile (excluding pension past service costs) has gone from 21.2 cents to 16.6 cents, a 22% improvement.

Strong Results for Holidays and Long Weekends

In 2018, more and more people chose to travel by train, with notable results for holidays and long weekends. Over the 2018 holiday season (December 18, 2017 to January 7, 2018), VIA Rail had a 10% increase in passengers compared to the previous year. Impressive results were also noted over the Easter long weekend, which showed its best performance in 10 years with an 18% passenger increase compared to 2017. The May long weekend saw a ridership increase of 8.4% compared to the previous year. This was followed by a 5% increase in ridership for the Canada Day weekend, a 9.1% increase for Labour Day weekend, and a 3.1% increase for Thanksgiving weekend compared to 2017.

On-Time Performance

Despite our best efforts to offer reliable service, there are certain external factors beyond our control. VIA Rail's on-time performance (OTP) was challenged early in the year by severe weather leading to mechanical failures for both VIA Rail as well as host railways. Freight train congestion controlled by third-party freight companies and station delays also added to the lower OTP over the first quarter, especially in Western Canada, where over 73% of Toronto evening departures toward Vancouver were postponed to the next day.

New Schedule for the *Canadian*

VIA Rail adjusted the *Canadian* schedule to address ongoing delays while focusing on providing passengers with the best possible customer experience, with the safety of our customers at the forefront of our operations. VIA Rail worked in conjunction with its infrastructure partner, CN, to develop a timetable that offers a more predictable travel experience. With the new schedule, passengers take in views of the majestic Rocky Mountains during the daylight hours, and stops at most of the larger cities now occur during daylight hours as well.

Despite these changes, the *Canadian* continues to experience significant delays. We will continue working collaboratively with CN towards our goal of reducing these delays, which at times result in trip cancellations.

Back on Track to Churchill

Due to significant flooding in northern Manitoba, which caused damage to the rails, VIA Rail's service between Gillam and Churchill was suspended in spring 2017. Upon completion of the repairs and inspections that were required, the infrastructure owner, Arctic Gateway, confirmed that the track was once again safe for passenger operations. On Tuesday, December 4, 2018, members of the Churchill community gathered on the platform at the VIA Rail station to celebrate the arrival of the train from Winnipeg, the first in over 18 months. Trains now travel again in both directions according to the regular schedule that was in effect prior to the suspension of service.

→ Passenger Lena Spence-Hanson (right) reuniting with family at the Churchill train station.

Photo by April Carandang/Canadian Geographic Travel

Sponsorships and Partnerships

As part of our commercial activities, VIA Rail creates partnerships with the communities we serve in a way that promotes sustainable development and that matters to Canadians. We also responsibly sponsor community projects, events, fundraising campaigns, and activities that further our social and community engagement and promote our strategic pillars and services.

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1. VIA Rail presence and participation at Pride Montréal during summer 2018.
2. Black History Month activation on board the train from Toronto to Ottawa to visit the Prime Minister.
3. St-Tite Western Festival partnership with VIA Rail.

Meaningful Sponsorships

VIA Rail supports organizations and events that are in line with our sponsorship pillars: diversity, community, youth, Canadian heritage, innovation, and sustainable mobility. Over 1,000 smaller donations in the form of train tickets were made in 2018, worth the equivalent of over $1.6 million in travel.

Larger partnerships and activations included VIA Rail's Big Slide at the Carnaval de Québec; the transportation of over 200 young Canadians from the Breakfast Club of Toronto as part of Black History Month; sponsorship of National Defence Family Days in Halifax (with participation of almost 22,000 members of the Canadian military), sponsorship and active participation in the capital's Canada Day celebration, and the running of two special trains to St-Tite for their Western Festival, among many others.

Participation in Conferences

In February, President and Chief Executive Officer Yves Desjardins-Siciliano represented VIA Rail on the international stage at the Diversity Brand Summit (DBS) in Milan, Italy. After previously speaking at the Gender Summit 11 in Montréal, Mr. Desjardins-Siciliano was invited to attend the DBS based on his efforts and commitment to promoting diversity and inclusion in the workforce. The summit works to raise awareness and open the conversation among top global managers about the positive outcomes of embracing diversity in the workplace.

As well, VIA Rail transported several young delegates to the Y7 Summit in Ottawa, where youth representing their respective G7 countries meet. This event brought together young people from the seven nations to discuss topics ranging from climate change and the environment to the economy and gender equality with the goal of presenting their ideas to G7 Summit leaders in June.

Le Train de Charlevoix

In the autumn, VIA Rail announced a partnership agreement with Train de Charlevoix, a seasonal train that runs in warmer weather between Québec's capital and Baie-Saint-Paul. Through the partnership, customers can reserve seats on board a VIA Rail train and the Train de Charlevoix in a single transaction departing from either Ottawa or Montréal toward the coastal cities and towns of Charlevoix, or vice versa. A shuttle provides ground transportation between VIA Rail's Gare du Palais in Québec City and the Train de Charlevoix station at the base of Montmorency Falls.

Forging Strong Ties with Communities

↑ Jacques Fauteux, VIA Rail's director of Government and Community Relations (left), provides a brief on VIA Rail operations and future plans to Member of Provincial Parliament (Ontario) Dave Smith, who represents communities in the riding of Peterborough–Kawartha.

↑ Yves Desjardins-Siciliano, President and CEO of VIA Rail, alongside representatives of the Atikamekw Nation council. From left to right: Mr. David Boivin, Grand Chief Constant Awashish, Yves Desjardins-Siciliano and Mr. Dany Chilton.

Local Communities

VIA Rail is committed to working with local communities to better understand the needs of different regions and their travellers in order to develop plans for improved service. During the year, VIA Rail representatives, including President and Chief Executive Officer Yves Desjardins-Siciliano and Director of Government Relations Jacques Fauteux, travelled to communities including Trois-Rivières, St-Hyacinthe, Drummondville, Québec City, Lachine, Ottawa, Napanee, Peterborough and Winnipeg to discuss the effects and benefits of our high frequency rail project.

Furthermore, we were excited to contribute to the success of such marquee events as the launch of the Ontario Chamber of Commerce's dialogue on the future of transportation in Ontario, the Economic Club's youth exchange program, the Canadian Urban Transit Association's Awareness Days, the Québec Transportation Association's Sommet de la rentrée, the 2018 Global Progress Summit, and the Kingston Chamber of Commerce's Connect EXPO Showcase.

Indigenous Communities

2018 has been a pivotal year in establishing new connections between VIA Rail and Indigenous communities in Canada; initial engagements led way to productive and collaborative discussions with Indigenous community and business leaders. Beyond meeting with communities, VIA Rail participated in flagship events including the Canada 2020 Aboriginal Economic Symposium, the Canadian Council for Aboriginal Business Toronto Gala, the Aboriginal Economic Development Conference, and the Indigenous Women in Leadership Award.

VIA Rail was proud to be associated with two showcase events this year, the Emerging Leaders for Sustainable Community Development conference and the 16th annual Canadian Council for Aboriginal Business Vancouver Gala, which recognized excellence in Indigenous relations. The Corporation also participated in round tables co-organized by Indigenous Work and the Canadian Chamber of Commerce to encourage economic reconciliation and the inclusion of Indigenous people in the Canadian economy. As well, VIA Rail was a proud sponsor of the Aboriginal Peoples Television Network's Indigenous Day Live event on June 23 in celebration of National Indigenous Peoples Day.

↑ Members of the VIA Rail Progressive Aboriginal Relations (PAR) Working Group with Brenda Thwaites and Luanne Whitecrow (director of the PAR program) of the Canadian Council for Aboriginal Business, 2nd and 3rd from left, respectively.

↑ Yves Desjardins-Siciliano, President and CEO of VIA Rail Canada, and Brigadier-General Jennie Carignan, Commander 2nd Canadian Division and Joint Task Force (East)

Progressive Aboriginal Relations Certificate

Thanks to our collaboration with the Canadian Council for Aboriginal Business (CCAB), VIA Rail continued working towards attaining the base level CCAB Progressive Aboriginal Relations Certificate. To be considered for certification, participant companies must demonstrate the establishment of Indigenous relations leadership actions, equitable employment programs, business development with Indigenous-owned businesses, and positive and progressive community relations. To this end, we successfully completed Phase One of the PAR Committed Criteria and commenced the Phase Two initiatives in 2018.

The Canadian Armed Forces

In an effort to highlight the contribution of the Canadian Armed Forces, VIA Rail has actively supported organizations such as the Canadian Forces Leadership and Recruit School, the Prince's Operation Entrepreneur program, the Hall of Femmes gala by La Force au Féminin, Canada Company, the Georges Vanier Foundation, and the Voltigeurs Regimental Ball for the inauguration of its restored armoury.

In 2018, VIA Rail collaborated with Salus Ottawa, supported the Wounded Warriors Highway of Heroes Bike Ride, participated in the launch of Supporting Wounded Veterans Canada dedicated to supporting troubled veterans, and supported the Grand rassemblement des vétérans made possible by the Retour en Force initiative. VIA Rail also partnered with the organizations Du Régiment aux Bâtiments and VETS Canada to recruit more VIA Rail employee candidates from the defense community and was a partner in several events, such as the 10th annual Army Run.

VIA Rail President and CEO Yves Desjardins-Siciliano was appointed the Québec Chair of the Canadian Forces Liaison Council for a three-year term. In this capacity, he will be further strengthening ties between the military community and the civilian population, obtaining the support of fellow business leaders to encourage participation of their employees in Canada's Reserve Force, and helping to ease the transition of veterans from the military to a civilian career. He will also continue to serve alongside his position as Honorary Lieutenant-Colonel of the Régiment de Maisonneuve, held since November 2016.

Operating Safely and Securely

VIA Rail Police Officers

In 2015, the VIA Rail Police department was established with the goal of ensuring the safety of passengers, employees, and the public, as well as building partnerships and acting as a link with Canadian police agencies and the intelligence community. Each member was carefully selected for their unique talents and expertise. They come from a variety of backgrounds, including the military police.

In November, an additional nine police officers and seven civilian members from various backgrounds were sworn in.

Fatigue Management Plan

VIA Rail has completed work on a fatigue management policy in order to maintain a safe and efficient work environment for employees. Following a risk assessment, the policy was presented to and signed by our infrastructure partner, CN. The new policy was implemented in August.

Health and Safety

In partnership with the *Université du Québec à Montréal*, VIA Rail developed a training program that focuses on critical incident management and support. The content was developed and piloted in Toronto with VIA Rail transportation managers and received positive feedback from the Health and Safety National Policy Committee. The training program was later presented to the Teamsters Canada Rail Conference and was implemented in the beginning of 2019.

Rail Safety Events

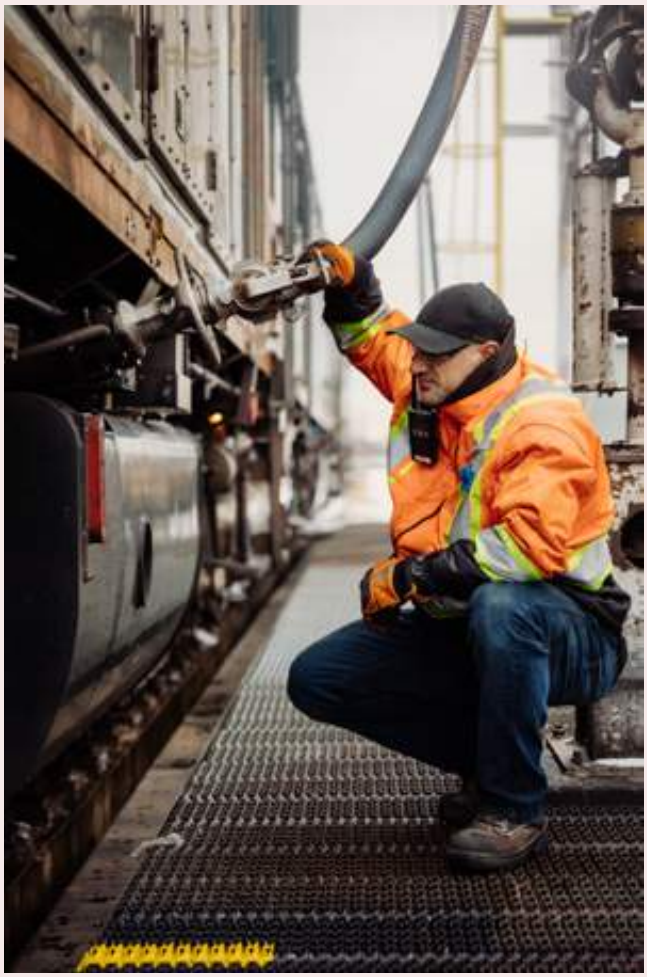
Every year, VIA Rail participates in safety events across the country. Once again this year, VIA Rail was an active participant in Operation Lifesaver's Rail Safety Week, with the theme of "Stop Track Tragedies." The Honourable Marc Garneau, Minister of Transport, stopped by downtown Ottawa to participate in this important activity.

New Video Surveillance System

During the past 18 months, VIA Rail has successfully completed an upgrade of its video surveillance and building access control systems to improve the safety and security of our passengers and employees. The new closed-circuit television system covers sites across the country and is centrally controlled and monitored by VIA Rail Police and Corporate Security.

↓ **Rail safety event at the Children's Safety Village in Belleville, ON.**

1. VIA Rail Police at the Ottawa Station, with Yukon the Labrador (working dog).
2. The Honourable Marc Garneau, Minister of Transport, taking part in Rail Safety Week in Ottawa.
3. VIA Rail employee at the Control Centre of Montréal Maintenance Centre.



↑ VIA Rail employee at the Montréal Maintenance Centre fuel plant.

Reliability in Extreme Weather

VIA Rail's Signals and Communication group moved forward with its program to improve the reliability of crossing warning systems and centralized train control in case of extreme weather conditions such as the tornado in the Ottawa and Gatineau regions in September. Improvement of train crossings in compliance with new Transport Canada regulations is continuing with 295 crossings completed, and the completion of 7 more complex crossings to come.

Winter Readiness

People count on reliability of the train, especially during the winter, when the weather can be unpredictable. In order to remain the best choice for inter-city travel at all times of year, and so that our passengers know they can always count on VIA Rail, we created a more robust winter readiness plan.

A multidisciplinary team was created as part of our project to mitigate the effects of severe winter conditions on our departures and fleet. The team was mandated with identifying any pitfalls we may encounter due to difficult weather conditions. Several workshops were organized across different locations and departments to gather ideas from employees. These workshops led to the creation of a "playbook" that clearly defines the contributions and commitments needed to achieve better on-time performance and passenger satisfaction during times of inclement weather. The playbook was successfully tested as a drill and then during its first activation with a forecast of freezing rain across parts of the Corridor. With the ongoing participation of employees, the playbook will continue to be used and refined.

Being an Attractive Employer

VIAppreciation App

In October, the Customer Experience Group launched the new VIAppreciation app, a pilot program giving employees a means to send recognition and praise to their peers. In just a few easy steps, employees can give kudos to peers who, through their daily actions, contribute to VIA Rail's great reputation and make it an enjoyable place to work.

10/10 Innovation Challenge

VIA Rail is undergoing a transformation and modernization across every department. We are working to deliver our Modernization Plan (outlined earlier in this report) and preparing for our future – one in which we welcome more and more passengers aboard a new fleet of trains operating on our proposed high frequency rail. This transformation is guided by our core values, including innovation, agility, and trust. Our goal is both clear and decisive: delight our customers, transform our services, and empower our employees by cultivating a sustainable innovation ecosystem.

To help achieve our goals, our Innovation team is working across various departments to create agile and collaborative solutions to challenges. Innovative projects with external groups include the collaboration with the International Union of Railways (UIC) to help people with visual impairments navigate our stations, mentioned in the Improving Accessibility section of this report. Internally, the Innovation team launched the 10/10 Innovation Challenge, in which teams of employees are given 10 days, $10,000 and the support they need to prototype tangible solutions to everyday work problems. This approach empowers employees and supports them in navigating their way through the problem-solving process. In 2019, the Innovation team will be working with three groups on prototyping their 10/10 Innovation Challenges.

Sustainable Mobility

Sustainable mobility is an integral part of who we are and how we conduct business. For us, sustainable mobility is about contributing to a greener transportation system for Canada, in a way that enables economic prosperity, improves quality of life, and provides more environmentally responsible mobility options. Our annual Sustainable Mobility Reports detail our activities and our journey to innovate and transform our business for future growth according to our six pillars detailed below. For more information, the full 2018 Sustainable Mobility Report will be published in the "About VIA Rail" section of our website under "Governance and Reports" in June 2019.

Our Sustainability Pillars

Six pillars underline what sustainable mobility means at VIA Rail. These pillars guide our vision to be a smarter way to move people – ensuring we manage operations efficiently, effectively, and economically, while providing a safe, secure, reliable, and environmentally sustainable rail passenger service.

Providing the Best Customer Experience

by ensuring a reliable, affordable and accessible service for our customers that enables them to experience Canada in a unique way

Promote Socio-Economic Development

by using public funds efficiently and effectively while contributing to Canada's economy by providing access and connectivity to a sustainable transportation system

Operate Safely and Securely

by embedding a culture where safety is everyone's first and foremost concern

Reduce our Impact on the Environment

by being the preferred greener travel choice for Canadians while reducing our emissions per passenger-kilometer and increasing our resource efficiency

Be an Attractive Employer

by supporting a workplace where each employee feels recognized and rewarded for being of service to passengers, to each other, and to the communities VIA Rail serves

Managing our Business Responsibly

by ensuring transparency, accountability, and integrity in everything we do while engaging and consulting stakeholders on their viewpoints

2018 Highlights

Providing the Best Customer Experience

- Advanced VIA Rail's modernization projects to deliver the best customer experience by improving the reliability, comfort, and accessibility of our train cars.
- Consulted with organizations representing people with disabilities to design and test a fully accessible train car.
- Initiated a winter-readiness project to mitigate the effects of severe weather conditions on our departures and fleet.

Promote Socio-Economic Development

- Promoted sustainable tourism and economic development in some of Canada's most beautiful attractions and communities.
- Worked with the Canadian Council for Aboriginal Business to build and strengthen connections with Indigenous communities and attain the Progressive Aboriginal Relations certification.

Operate Safely and Securely

- Revised our security operations' strategic objectives to enable the safe and effective use of security resources going forward.
- Invested in several technology and infrastructure programs to continue to offer a safe, reliable and comfortable passenger rail service.

Reduce our Impact on the Environment

- Awarded a contract to Siemens Canada to build train sets for VIA Rail's new fleet that will be among the most fuel-efficient diesel-electric locomotives on the market today.

Be an Attractive Employer

- Held the first graduation ceremony for 114 managers who completed the Leadership School Program.
- Created the Business Transformation department to act on our innovation strategy and implemented projects to catalyze an innovation ecosystem.

Managing our Business Responsibly

- Established a Fraud Strategic Committee to decrease fraudulent ticket purchases and to deter criminal activity on board our trains.
- Engaged 376 communities and community leaders across Canada.

Environment

VIA Rail has defined processes within its Environmental Management System to evaluate the environmental impact of its projects and activities.

In 2018, all new projects, new initiatives, and activities were assessed using VIA Rail's Risk Assessment process. This process is implemented by the project manager at the planning phase to identify and assess environmental risks and to identify appropriate controls to mitigate the risks. In addition to the Risk Assessment process, evaluations of the environmental impacts of projects are performed, when appropriate, to determine if the projects in question will have significant effects on the environment and to implement appropriate mitigation measures.

VIA Rail did not carry out any project or activity that generated significant adverse environmental effects in 2018. Major projects for 2018 consisted of renovation and construction work on existing railway property and the regular maintenance and repair activities of railway infrastructure. In all cases, VIA Rail processes were followed, environmental evaluations were completed, identification and implementation of appropriate mitigation measures was performed as per project plans and assessment reports, and appropriate permits were received.

Awards and Acclaim

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1. Pamela O'Leary, former VIA Rail employee, accepting an accessibility certification on behalf of VIA Rail from Louise Gillis, President of the Canadian Council of the Blind.
2. Michael Woelcke, General Manager, Regional Services, accepting the Northern Tourism Industry Award for Product Development on behalf of VIA Rail at the annual Northern Ontario Tourism Summit.
3. Françoise Bertrand, Chairperson of VIA Rail's Board of Directors, receiving from Julie Cailliau of Groupe Les Affaires the Réalisations Award at the 2018 Réseau des Femmes d'affaires du Québec award gala.

Certification of Appreciation from the CCB

VIA Rail has a longstanding partnership with the Canadian Council of the Blind (CCB) and was presented with a certification of appreciation from the CCB for our sponsorship of White Cane Week, an initiative that promotes awareness and equality for people living with visual restrictions. VIA Rail was also a sponsor of the Visually Impaired Curling Championship.

Silver Parity Certification from Women and Boards

VIA Rail was awarded the Silver Parity Certification at the Women in Governance gala in recognition of our success in promoting and supporting women in their leadership development, career advancement and representation at all levels of the organization. This is the second time VIA Rail was honoured by Women in Governance. In 2016, our President and CEO Yves Desjardins-Siciliano received an award for his outstanding commitment to the promotion of women at the Corporation.

Réalisations Award for our Chairperson

At the annual award gala organized by the Réseau des femmes d'affaires du Québec, VIA Rail Chairperson of the Board Françoise Bertrand received the Réalisations Award. This prestigious award honours Québec women who stand out for their exceptional careers, compelling achievements, determination, and influence here and abroad. This tribute again highlights Ms. Bertrand's exceptional work as Chairperson.

Northern Tourism Industry Award

VIA Rail took home the Northern Tourism Industry Award in the category of Product Development at the annual Northern Ontario Tourism Summit for its contribution to the growth of local tourism in Northern Ontario. Michael Woelcke, General Manager, Regional Services, represented VIA Rail at the event and received the prize on its behalf.

RAC Safety Award

VIA Rail won a safety award from the Railway Association of Canada (RAC) in the category of Passenger/Employee Incidents for our operational safety strategy. The strategy was created based on three pillars – training, communication, and monitoring – and integrated into our Safety Monitoring System as part of our goal to enhance our safety culture.

← Marc Beaulieu, Chief Transportation & Safety Officer, with his team, receiving the RAC Safety Award.

Major Kudos for Marketing

International Marketing Awards

Innovation is at the heart of VIA Rail's corporate values. The Corporation was recognized as best in class internationally for its "Why don't you take the train?" campaign.

Cannes Lions Festival, France
VIA Rail and its media agency took home two prestigious awards at the Cannes Lions Festival in France: a silver prize in the Travel category and a bronze prize in the Creative Data category.

Media Global, Rome
At the Festival of Media Global in Rome, Italy, we won Best of show Campaign of the year, Gold Awards for Best Use of Data & Insight, Best Use of Geo-Location, and Best Use of Real-Time Marketing.

Media & Marketing Awards, London, England
At the international M&M Global Awards, which recognize the very best in media and marketing from around the world, VIA Rail took home Gold in the category Best Campaign Led by Data, and Silver in the category Tourism, Travel and Leisure.

Cristal Media Awards, France
The 2018 international Cristal Media & Advertising summit highlighted artificial intelligence in marketing. Our marketing team was awarded Best of Show and Gold in the category Best Use of Data.

Marketing Team Wins Big at the Prix Média d'Infopresse

VIA Rail won three prizes at the Prix Média d'Infopresse for its 2017 "Why don't you take the train?" campaign, taking home the grand prizes in the categories of Best Use of Digital Innovation, Best Use of Data and Research, and Best Use of Mobile.

More Awards for the "Why don't you take the train?" Campaign

Media Innovation Awards, Toronto
At the Media Innovation Awards, which recognizes the best Canadian advertising campaigns, VIA Rail was honoured many times over:

- Best of show
- Gold for Best use of Digital – Best in Data-Driven Marketing
- Gold for Best use of Digital – Best in Location-Based Marketing
- Silver for Products & Services – Best in Travel and Tourism
- Bronze for Best Media Insights – Best New Insight
- Bronze for Best use of Digital – Best use of Technology
- Bronze for Best use of Media – Best Integrated Campaign over $250K

Canadian Marketing Awards, Toronto
At the CMA Gala, VIA Rail won Gold in the category Media – Consumer Services, a Gold Special Award in the Data Marketing category, and Bronze in the category Business Impact – Consumer Services. Once again, these recognitions highlighted our data-powered "Why don't you take the train?" campaign, as we edged out some of Canada's top marketing talent to garner these accolades.

1.

2.

3.

4.

1. Award-winning mobile advertisement from the Q3 2017 campaign.
2. Silver prize in the Travel category, and a bronze prize in the Creative Data category from the Cannes Lions Festival.
3. Award-winning billboard advertisement from Q3 2017 campaign.
4. Award-winning billboard advertisement from Q3 2017 campaign.

Key Performance Indicators

VIA Rail uses the following performance indicators as an integral part of its LEAN management process. For detailed information on financial and operating performance during the quarter, consult the Management Discussion and Analysis.

Key Performance Indicators		Quarters ended December 31			Year ended December 31		
Indicator	**Unit**	**Q4-2018**	**Q4-2017**	**Vs 2017**	**2018**	**2017**	**Vs 2017**
Capacity Deployed *(in millions)* Number of available seat-miles (ASM) [1]	ASM	435	413	5.3%	1,745	1,662	5.0%
Total Revenues / ASM (RASM) Total revenues divided by total ASM	cents	22.82	22.43	■	22.50	22.00	■
Total Costs [2] **/ ASM** (CASM) Total operating expenses divided by total ASM	cents	39.23	39.76	■	37.67	37.07	■
RASM / CASM Revenues per available seat-mile divided by the costs per available seat-mile	%	58.2%	56.4%	■	59.7%	59.4%	■
On-Time Performance On-Time Performance of all VIA Rail trains	%	71%	72%	■	71%	73%	■
On-Time Performance – VIA Rail Infrastructure On-Time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	94%	95%	■	94%	95%	■
Train Incidents Includes mainline derailments, cardinal rule violations, critical speed violations, or critical rule violations which result in injury to passengers and/or employees, or damage to the rolling stock or infrastructure for a value of $25,000 or more	#	4	1	■	8	4	■
Employee Attendance (excluding LTD) Total hours worked per month divided by the total possible work hours per month	%	94%	94%	■	95%	94%	■

(1) Seat-miles are the number of seats available for sale, multiplied by the number of miles travelled.

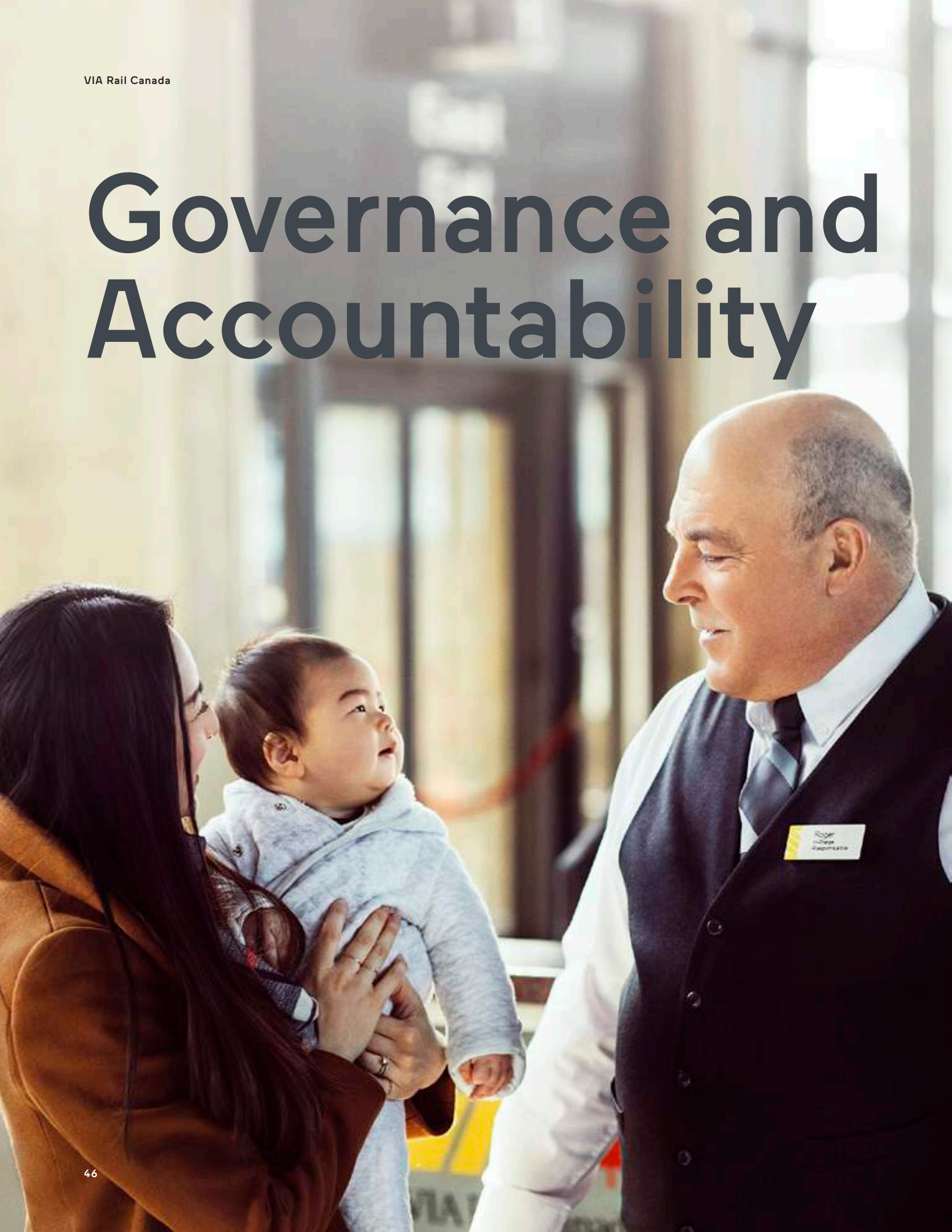
(2) Total costs include pension costs for current services but exclude cost for past services.

■ Performance on or above previous year.

■ Performance slightly below last year (less than 10%).

■ Performance below last year (10% or more).

Governance and Accountability



Enterprise Risk Management

Enterprise Risk Management (ERM) is a discipline that aims to identify, assess and address threats and opportunities as they relate to the corporate objectives of an organization. Building on the foundations that were laid in 2014, VIA Rail has stepped up the integration of risk management practices into decision-making to further advance the Corporation's performance. This is done in order to support the implementation of the strategic vision while keeping operations safe, customer-centric and efficient.

Modernization Projects

Existing risk assessments for VIA Rail's modernization projects were refined in order to further the understanding of the various threats and opportunities related to said projects while improving the mitigation strategies, ensuring that these initiatives are delivered in a responsible fashion. Risk assessments were conducted for key projects, such as the Fleet Replacement and the New Reservation System, as the successful delivery of these initiatives is essential to the future of the Corporation. Further work was also conducted with the Project Management Office to improve the integration of risk management into the delivery of all types of projects conducted by the Corporation.

Review of the Board of Directors' Risk Registry

ERM is about considering all levels of risks within an organization. In 2018, VIA Rail completed a full review of its key risks, as reported to the Board. The identification of these risks leveraged the 2017 risk perception survey and was enhanced by multiple sessions with representatives from each business function. Risks were then assessed as per the risk management policy, and relevant controls and mitigations were identified. Where possible, the residual risk following the implementation of these mitigations was assessed. Key risks are now presented to the Board, while operational risks are discussed within the various committees of the Board. By providing a common understanding of the organization's risk exposure, ERM has proven to be a strategic enabler that supports the achievement of the Corporation's long-term vision.

Improved Risk Management Processes

The ERM team was able to improve its processes and tools to deliver better support to decision-making by using more robust and advanced methods, such as Monte Carlo simulations and forecasting. By mixing qualitative and quantitative methods, the team is able to better understand uncertainty and evaluate the cost-benefit ratio of the various mitigation options. In the future, this will result in more in-depth discussions about threats and opportunities while facilitating the consideration of risk as a whole, as opposed to a series of individual threats and opportunities. A complete business continuity framework was also produced in 2018, and a Business Impact Analysis was conducted for all operations in order to improve business continuity planning for the Corporation. As business continuity plans will be enhanced, this will reduce the effects of unplanned business interruptions and benefit VIA Rail's customers.

The Board of Directors

As of December 31, 2018, the Board of Directors consisted of the Chairperson of the Board, the President and Chief Executive Officer, and nine other directors appointed by the Government of Canada. Of the 10 directors (not including the CEO of VIA Rail), six are women and four are men. The Board is responsible for overseeing the strategic direction and management of the Corporation and reports on VIA Rail's operations to parliament through the Honourable Marc Garneau, Minister of Transport.

Eleven (11) Board meetings were held and Committees met a total of 32 times over the course of 2018. The average overall attendance rate of Board members at these meetings was 95%. Cumulative fees paid to Board members during this time period totalled $300,891.

Committees of the Board

The Board and Committee structure is composed of the following Committees:

Audit & Pension Investment

Jane Mowat, Chairperson
Daniel Gallivan
Jonathan Goldbloom
Glenn Rainbird
Gail Stephens
Geneviève Tanguay

Major Projects

Kenneth Tan, Chairperson
Kathy Baig
Ramona Materi
Jane Mowat

Human Resources

Gail Stephens, Chairperson
Ramona Materi
Kenneth Tan
Geneviève Tanguay

Communication & Stakeholders' Relations

Daniel Gallivan, Chairperson
Kathy Baig
Jonathan Goldbloom
Glenn Rainbird

New Fleet Procurement

Jane Mowat, Chairperson
Daniel Gallivan
Jonathan Goldbloom
Glenn Rainbird
Gail Stephens
Kenneth Tan
Geneviève Tanguay

The Special Committee on New Fleet Procurement, created during the first quarter of 2018, oversaw the procurement process for the replacement of the Corporation's fleet of trains in the Québec City – Windsor corridor, which was approved as part of the 2018 federal budget. In December 2018, VIA Rail announced that Siemens Canada was the manufacturer chosen to replace the current fleet. Please see p. 23 of this report for more information.

The Committees' mandates are available under the "Governance and Reports" section of VIA Rail's website.

The Chairperson of the Board of Directors is an ex officio member of all Committees. The President and Chief Executive Officer is also an ex officio member of all Committees, except the Audit & Pension Investment Committee.

Access to Information and Privacy

VIA Rail believes that openness and transparency are the starting points in building a relationship of trust with customers, partners, and the public in general. VIA Rail has continuously improved its practices related to access to information as provided in the *Access to Information Act* and the *Privacy Act*, to which VIA Rail became subject in 2007.

In the spring of 2018, VIA Rail submitted its 2017-2018 annual reports on access to information and privacy to the Access to Information Commissioner and the Privacy Commissioner, respectively, as well as to the Minister of Transport.

VIA Rail is committed to responding to information requests from the public, the media, and all those interested in our operations in a timely manner. From April 1, 2017 to March 31, 2018, VIA Rail received 49 new requests under the *Access to Information Act* and the *Privacy Act*. This compared to a total of 51 requests received during the corresponding period from April 2016 to March 2017.

Promoting our Official Languages

VIA Rail complies with the *Official Languages Act* and is proud to offer services in both English and French. While close to 4.8 million passengers travelled on our trains over the past year, no complaints were made in regard to serving Canadians in the language of their choice. This reflects VIA Rail's commitment to providing a bilingual service across the country, in our stations, on board our trains, and in our call centres.

Over the year, VIA Rail promoted Canada's official languages by participating in the Canadian working group in anticipation of the 50th anniversary of the *Official Languages Act* in 2019. VIA Rail also partook in essential cultural gatherings of minority language communities in several regions through the 50th anniversary festivities of the Théâtre français de Toronto, the 10th Edition of the QCGN Goldbloom Awards, the evening of the Francofonds' Chefs en plein air and the 20th annual Rendez-vous de la Francophonie.

Travel, Hospitality and Conference Expenses

The following travel, hospitality and conference expenses were submitted during 2018	
Françoise Bertrand Chairperson of the Board of Directors	$8,880
Yves Desjardins-Siciliano President and CEO	$66,340
Executive management committee members (9 members)	$207,788
Board of Directors (10 members)	$46,699
Total VIA Rail (including above expenses)	**$1,370,601**

Executive Compensation

2018 Executive Compensation Range Disclosure[1]		
Cash Compensation[2]	**President and CEO**	**Officers**
Base Salary Range	$257,900 – $303,400	$189,805 – $304,500
Incentive Program Range	13% – 26%	35% – 50%
Total Compensation Range per Calendar Year	$291,427 – $382,284	$256,237 – $456,750

Perquisites Program		
Car Allowance		
Social, Sport Club Memberships		
Health Care Spending Account	$45,000	$24,000
Comprehensive Medical Exams		
Financial Planning Services		

1 On December 31st, 2018, Executives were: President and Chief Executive Officer, Chief Communications Officer, Chief Commercial Officer, Chief Transportation and Safety Officer, Chief Asset Management Officer, Chief Financial Officer, Chief Mechanical and Maintenance Officer, Chief Business Transformation Officer, Chief Human Resources, and Chief Legal & Risk Officer.

2 The Cash Compensation does not report the actual salary and incentives paid to Executives but merely the range for their respective positions.

Directors' Biographies

Françoise Bertrand

Montréal, Québec

Chairperson of the Board of Directors, Ex officio member of all Committees

Board member since September 2017

After a 40-year career as a business executive, Françoise Bertrand now dedicates her time to acting as a corporate director.

Since spring 2017, Ms. Bertrand has served as chairperson of VIA Rail Canada's Board of Directors. She is also President of the Proaction International Board of Directors and serves on the Board of Osisko Gold Royalties. She is a Vice-Chair of the Concordia University Board of Governors and serves on the boards of the United Nations Association in Canada and the Institute for Research on Public Policy.

She has served as President and Chief Executive Officer for several organizations, including the *Fédération des chambres de commerce du Québec*, the Canadian Radio-television and Telecommunications Commission (CRTC) and the *Télé-Québec* broadcasting corporation. She was a senior manager at *Université du Québec à Montréal*, where she served as Dean, and also spent a few years working for consulting firms, notably as a partner with Groupe Secor.

Françoise Bertrand holds a bachelor's degree in sociology from *Université de Montréal* and a master's degree in environmental studies from York University. She capped off her academic career at the Institute of Corporate Directors.

Throughout her career, Ms. Bertrand has been recognized with several significant honours, most notably, Officer of the Order of Canada, Knight of the National Order of Québec and Chevalier of the Legion of Honour of France. She also received an honorary doctorate from Concordia University.

Kathy Baig
Laval, Québec

Member of the Communication & Stakeholders' Relations Committee, and of the Major Projects Committee

Board member since June 2017

Ms. Baig is the President of the *Ordre des ingénieurs du Québec*. She previously worked as an Infrastructure and Construction Project Manager at Aéroports de Montréal, and an Engineer and ISO 9001 Quality Coordinator for Pyrogenesis Canada Inc. She is a board member of Engineers Canada and the Junior Chamber of Commerce of Montréal. Ms. Baig holds a Bachelor's Degree in Chemical Engineering from *École Polytechnique de Montréal* and a Master of Business Administration from *HEC Montréal*.

Daniel Gallivan
Halifax, Nova Scotia

Chairperson of the Communication & Stakeholders' Relations Committee, and member of the Audit & Pension Investment Committee

Board member since June 2017

Mr. Gallivan is a Senior Partner in the Atlantic Canada law firm of Cox & Palmer. He has been the Chief Executive Officer of Cox & Palmer since 2003 and was Managing Partner of the Halifax office from 2003 to 2012. Mr. Gallivan is a member of the Bar Societies for Nova Scotia and Prince Edward Island and was appointed Queen's Counsel in 1997. Throughout his career he has held leadership roles for a variety of organizations including the Bank of Canada, the Nova Scotia Securities Commission, and BrightPath Early Learning Inc. Mr. Gallivan holds a Bachelor of Arts Degree from Loyola College, and LLB from Dalhousie University Law School, and an MBA from the Ivey School of Business at Western University. He is also a certified corporate director (ICD.D).

Jonathan Goldbloom
Montréal, Québec

Member of the Communication & Stakeholders' Relations Committee, and of the Audit & Pension Investment Committee

Board member since June 2017

Mr. Goldbloom is the Founder and President of Avenue Strategic Communications, formerly known as Jonathan Goldbloom Strategic Communications, which specializes in crisis management and stakeholder outreach. He was previously the Vice President and General Manager of Optimum Public Relations at Cossette Communications and a Senior Partner at Columbia Communications. He is currently the Chair of the Board of Governors of Selwyn House School, Chair of the Advisory Committee of the Quebec Association of Independent Schools, and a Member of the Board of Directors of Centre for Israel and Jewish Affairs. Mr. Goldbloom earned a Bachelor of Arts Degree cum laude from Harvard University, a Master of Arts Degree from Carleton University, and a Masters of Business Administration from Western University.

Ramona Materi
Vancouver, British Columbia

Member of the Human Resources Committee, and of the Major Projects Committee

Board member since October 2012

Ms. Materi is the Principal of Ingenia Consulting, which undertakes labour market research to help communities and natural resources firms plan for and address their workforce needs. Under her leadership, Ingenia has completed assignments across Canada and in the United States and Vietnam. Ms. Materi serves on the SME Advisory Board to the Minister of International Trade, as well as Connecting Environmental Professionals, Vancouver. She is a member of the Institute of Corporate Directors, and has served on the boards of numerous non-profits and business associations. Ms. Materi is the author of two books, one on business in Northern British Columbia and a second on sustainable businesses in Canada. Ms. Materi holds a Master of Public Affairs from the University of Texas at Austin, a Master of Education from Athabasca University and a Post-Baccalaureate Diploma in Environmental Science from Capilano University. She completed graduate studies in economics at the *Institut de Hautes Études Internationales et du Développement* in Geneva.

Jane Mowat
Toronto, Ontario

Chairperson of the Audit & Pension Investment Committee, and member of the Major Projects Committee

Board member since September 2013

Ms. Mowat is a Corporate Director and a former information technology executive who, since 2003, has worked as an independent consultant, advising clients on acquisitions in the software industry, as well as providing advice on corporate finance, borrowings and business valuations. She previously served as Chief Financial Officer of Centrinity, a TSX-listed software company, from 2001 to 2003 General Manager of IBM's financing business in Canada and the United States, from 1996 to 2000, and as Chief Financial Officer of ISM Information System Management Corporation from 1990 to 1995. Ms. Mowat has considerable governance experience, having served on the boards of both private and public companies, including Allstream, Coventree Inc. and Centrinity. She holds a Bachelor of Commerce Degree from the University of Toronto and earned her Chartered Accountant designation while employed with Price Waterhouse.

Glenn Rainbird
Belleville, Ontario

Member of the Communication & Stakeholders' Relations Committee, and of the Audit & Pension Investment Committee

Board member since June 2017

Mr. Rainbird is retired from corporate life where he held CEO and senior executive positions in the information and communications technology and energy sectors. He was the President and Chief Executive Officer of TRLabs, Vice President at Nortel Networks and held a variety of senior positions at Imperial Oil. He currently serves on the Board of Directors of IESO, the Board of Governors of the Royal Military College of Canada, is a member of the RCAF Commander's Council and is an RCAF Honorary Colonel. Mr. Rainbird was appointed an Officer of the Order of Canada in recognition of his leadership role in developing Canada's capabilities in the Internet age. He holds a Bachelor of Science in Civil Engineering and a Masters of Business Administration from Queen's University and an Honorary Diploma in Applied Arts and Technology from Loyalist College.

Gail Stephens
Victoria, British Columbia

Chairperson of the Human Resources Committee, and member of the Audit & Pension Investment Committee

Board member since June 2017

Ms. Stephens is the President of Gail Stephens Consulting. She has over 20 years of experience leading large, complex organizations including City Manager of Victoria, CEO of the BC Pension Corporation, and Chief Administrative Officer for the City of Winnipeg. Most recently she was the start-up Chief Operating Officer, then Interim President and Chief Executive Officer for the Canadian Museum for Human Rights. She has sat on numerous Boards including Coast Capital Savings, the David Foster Foundation and the BC Training Authority. Ms. Stephens holds a teaching certificate from the University of Manitoba and completed the Executive Management program at Harvard Kennedy School. She is a Certified Public Accountant (FCPA) and a certified corporate director (ICD.D).

Kenneth Tan
Richmond, British Columbia

Chairperson of the Major Projects Committee, and member of the Human Resources Committee

Board member since June 2017

Mr. Tan is currently managing education innovation for the Faculty of Medicine at the University of British Columbia and consults through Sweetwater Advisors Inc. He previously held positions at the University of Saskatchewan including Director, Strategic Initiatives where he spearheaded programs in cost containment and revenue enhancement. Mr. Tan also served as the CFO of the Transportation Investment Corporation, Executive Director of the Crown Agencies Secretariat, and the Finance Director of Octopus Cards Limited, a subsidiary of major public transport providers in Hong Kong. He was a government-appointed trustee of the BC College Pension Plan and has served on the Board of Directors of several non-profit organizations. Mr. Tan holds a Bachelor of Commerce Degree from the University of Alberta, and a Masters of Business Administration from the University of Saskatchewan, and is a Fellow of the Institute of Canadian Bankers.

Geneviève Tanguay

Montréal, Québec

Member of the Audit & Pension Investment Committee, and of the Human Resources Committee

Board member since August 2017

With over 15 years' experience in Investment, Ms. Tanguay has been instrumental to numerous transactions in many sectors including metal products, transportation, machinery and life sciences. From 2008 to 2017, Ms. Tanguay held the position of Director of investments at the *Fonds de solidarité*, the largest Québec development and risk capital fund. She has served on Boards of Directors for several private companies, and contributed to their strategy and development. Ms. Tanguay is also very involved in her community, and has sat on several boards for non-profit organizations. She is currently on the Boards of Directors of both Leucan and the Institute of Corporate Directors. Ms. Tanguay holds a Bachelor's Degree in Business Administration from HEC Montreal.

Management Discussion and Analysis

1. Introduction

The management discussion and analysis report outlines the financial results of VIA Rail for the quarter and year-ended December 31, 2018 compared with the quarter and year-ended December 31, 2017. This document should be read in conjunction with the audited financial statements and notes.

Materiality

In assessing what information is to be provided in this report, management applies the materiality principle as guidance for disclosure. Management considers information material if it is probable that its omission or misstatement, judged in the surrounding circumstances, would influence decisions that VIA Rail's stakeholders make on the basis of the financial information.

2. Corporate Overview

VIA Rail is a non-agent Crown corporation which operates Canada's national passenger rail service on behalf of the Government of Canada. The Corporation's objectives are to manage and provide a safe, efficient, reliable, and environmentally sustainable rail passenger service that meets the needs of Canadian travellers in Canada.

The Government of Canada determines VIA Rail's role within the overall structure and services provided by the Federal government, and provides appropriations to subsidize passenger rail services.

3. Highlights of Financial Results and Major Key Operating Statistics

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2018**	**2017**	**Var $**	**Var %**	**2018**	**2017**	**Var $**	**Var %**
Financial Performance								
Passenger revenues *(section 4.2)*	**92.8**	93.9	(1.1)	(1.1%)	**368.6**	348.7	19.9	5.7%
Other revenues	**6.1**	6.0	0.1	1.7%	**23.6**	23.1	0.5	2.2%
Total revenues	**98.9**	99.9	(1.0)	(1.0%)	**392.2**	371.8	20.4	5.5%
Operating expenses *(section 4.3)*	**211.0**	183.9	27.1	14.7%	**788.1**	720.1	68.0	9.4%
Operating loss before funding from the Government of Canada and income taxes *(section 4.1)*	**(112.1)**	(84.0)	(28.1)	(33.4%)	**(395.9)**	(348.3)	(47.6)	(13.7%)
Operating funding from the Government of Canada *(section 4.1)*	**71.4**	74.9	(3.5)	(4.7%)	**272.6**	265.3	7.3	2.8%
Amortization of deferred capital funding	**26.5**	28.9	(2.4)	(8.3%)	**104.3**	96.1	8.2	8.5%
Net income (loss) for the period	**(14.0)**	19.8	(33.8)	(170.8%)	**(19.0)**	12.9	(31.9)	(247.3%)
Remeasurements of defined benefit components of the pension plans and post-employment benefit plans	**(79.4)**	(13.6)	(65.8)	(483.8%)	**46.9**	9.6	37.3	388.5%
Comprehensive income (loss) for the period	**(93.4)**	6.2	(99.6)	(1,612.4%)	**27.9**	22.5	5.4	24.0%
Financial Position and Cash Flows								
Total assets *(section 4.4)*	**1,466.9**	1,351.2	115.7	8.6%	**1,466.9**	1,351.2	115.7	8.6%
Total liabilities *(section 4.4)*	**1,552.5**	1,464.7	87.8	6.0%	**1,552.5**	1,464.7	87.8	6.0%
Cash *(section 4.5)*	**14.8**	3.2	11.6	362.5%	**14.8**	3.2	11.6	362.5%
Net cash (used in) provided by operating activities *(section 4.5)*	**(15.5)**	(7.5)	(8.0)	(106.7%)	**8.2**	(1.4)	9.6	685.7%
Net cash (used in) provided by investing activities *(section 4.5)*	**(17.4)**	(7.4)	(10.0)	(135.1%)	**3.4**	(6.3)	9.7	154.0%
Capital funding *(section 4.5)*	**45.6**	36.0	9.6	26.7%	**121.8**	88.4	33.4	37.8%
Key Operating Statistics								
Train-miles operated *(in thousands)*	**1,687**	1,684	3	0.2%	**6,825**	6,720	105	1.6%
Seat-miles *(in millions)*	**435**	413	22	5.3%	**1,745**	1,662	83	5.0%
Passengers-miles *(in millions)*	**250**	241	9	3.7%	**992**	954	38	4.0%
Average passenger load factor *(%)*	**58**	58	-	0.0%	**57**	57	-	0.0%
Operating deficit per passenger-mile *(in cents)*	**28.6**	31.1	(2.5)	(8.1%)	**27.5**	27.8	(0.3)	(1.2%)

Financial highlights

Fourth quarter

- VIA Rail total revenues decreased by 1.0 per cent due to a lower revenue adjustment associated with the VIA Préférence points program, partly offset by higher passenger revenues generated in the Corridor.
- Operating expenses increased by 14.7 per cent resulting mainly from an unrealized net loss on derivative financial instruments, as well as higher costs for equipment repairs due to train incidents.
- The operating loss increased by 33.4 per cent due to the combination of lower revenues and higher operating expenses.
- Operating funding decreased by 4.7 per cent, reflecting the lower amounts required for funded activities.
- VIA Rail generated a comprehensive loss of $93.4 million compared to an income of $6.2 million in 2017. The variation is due to the remeasurements of defined benefit components of the pension plans and post-employment benefit plans.

Year

- VIA Rail recorded a 5.5 per cent increase in revenues, as a result of increased ridership associated with the additional capacity deployed.
- Operating expenses increased by 9.4 per cent, due in most part to additional expenses associated with the added capacity as well as to annual cost increases in many expense categories, and to the impact of the unrealized losses on derivative financial instruments.
- The operating loss increased by 13.7 per cent, as a result of the increase in expenses which exceeded the increase in revenues.
- Operating funding increased by 2.8 per cent, reflecting the additional funding used for funded activities.
- VIA Rail generated a comprehensive income of $27.9 million compared to $22.5 million in 2017. The variation is due to the remeasurements of defined benefit components of the pension plans and post-employment benefit plans.

Operating statistics highlights

Fourth quarter

- Capacity increased compared to previous year (0.2 per cent train-miles and 5.3 per cent seat-miles).
- Passenger-miles increased by 3.7 per cent.
- Operating deficit per passenger-mile decreased by 8.1 per cent.

Year

- Capacity increased compared to previous year (1.6 per cent train-miles and 5.0 per cent seat-miles).
- Passenger-miles increased by 4.0 per cent.
- Operating deficit per passenger-mile decreased by 1.2 per cent.

4. Analysis of Financial Results

4.1 Comparison of IFRS and Funded Operating Results

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2018**	**2017**	**Var $**	**Var %**	**2018**	**2017**	**Var $**	**Var %**
Operating loss on a funded basis	**(71.4)**	**(74.9)**	**3.5**	**4.7%**	**(272.6)**	**(265.3)**	**(7.3)**	**(2.8%)**
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points and other	**(0.2)**	7.3	(7.5)	(102.7%)	**(0.4)**	6.1	(6.5)	(106.6%)
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	**(3.9)**	1.4	(5.3)	(478.6%)	**(8.3)**	1.1	(9.4)	(854.5%)
Depreciation and loss on disposal of property, plant, equipment and intangible assets	**(26.9)**	(29.2)	2.3	7.9%	**(105.5)**	(97.3)	(8.2)	(8.4%)
Other provisions for non-cash items	**(9.7)**	11.4	(21.1)	(185.1%)	**(9.1)**	7.1	(16.2)	(228.2%)
Total non-funded adjustments to expenses	**(40.5)**	(16.4)	(24.1)	(147.0%)	**(122.9)**	(89.1)	(33.8)	(37.9%)
Total items not requiring funds from operations	**(40.7)**	**(9.1)**	**(31.6)**	**(347.3%)**	**(123.3)**	**(83.0)**	**(40.3)**	**(48.6%)**
Operating loss under IFRS	**(112.1)**	**(84.0)**	**(28.1)**	**(33.4%)**	**(395.9)**	**(348.3)**	**(47.6)**	**(13.7%)**
Operating funding from the Government of Canada	**71.4**	74.9	(3.5)	(4.7%)	**272.6**	265.3	7.3	2.8%
Amortization of deferred capital funding	**26.5**	28.9	(2.4)	(8.3%)	**104.3**	96.1	8.2	8.5%
Net income (loss) before income taxes	**(14.2)**	**19.8**	**(34.0)**	**171.8%**	**(19.0)**	**13.1**	**(32.1)**	**(245.0%)**
Income tax expense (recovery)	**(0.2)**	-	(0.2)	n/a	**-**	0.2	(0.2)	(100.0%)
Net income (loss) under IFRS for the period	**(14.0)**	**19.8**	**(33.8)**	**(170.8%)**	**(19.0)**	**12.9**	**(31.9)**	**(247.3%)**
Remeasurements of defined benefit component of the pension plans and post-employment benefit plans	**(79.4)**	(13.6)	(65.8)	(483.8%)	**46.9**	9.6	37.3	388.5%
Comprehensive income (loss) for the period	**(93.4)**	**6.2**	**(99.6)**	**(1,612.4%)**	**27.9**	**22.5**	**5.4**	**24.0%**

Net income (loss) under IFRS for the quarter:

Net loss of $14.0 million this quarter, compared to a net income of $19.8 million last year, representing a deterioration of $33.8 million mainly due to:

- Higher operating loss ($28.1 million), attribuable to higher expenses of $27.1 million and lower revenues of $1.0 million;
- Lower government funding received during the quarter (decrease of $3.5 million);
- Lower amortization of deferred capital funding ($2.4 million).

Net income (loss) under IFRS for the year:

Net loss of $19.0 million for the year, compared to a net income of $12.9 million last year, for a deterioration of $31.9 million mainly due to:

- Higher operating loss ($47.6 million) explained by higher expenses of $68.0 million and higher revenues of $20.4 million;
- Higher government funding received during the period ($7.3 million);
- Higher amortization of deferred capital funding ($8.2 million).

Remeasurements of defined benefit component of the pension plans and post-employment benefit plans

Comprehensive loss of $93.4 million in the fourth quarter of 2018 and comprehensive income of $27.9 million for the year-ended december 31, 2018:

As at December 31, 2018, the discount rate used to determine the defined benefit obligation was 3.90 per cent, compared to 3.40 per cent as at December 31, 2017, which represents $24.2 million decrease in comprehensive income for the quarter and an increase of $121.8 million for the year. The return on plan assets was ($55.2 million) during the fourth quarter and ($74.9 million) for the year.

Comprehensive income of $6.2 million in the fourth quarter of 2017 and comprehensive income of $22.5 million for the year-ended december 31, 2017:

As at December 31, 2017, the discount rate used to determine the defined benefit obligation was 3.40 per cent compared to 3.80 per cent as at December 31, 2016, which represents a $102.5 million expense in the fourth quarter of 2017, and a ($119.3 million) expense for the year. The return on plan assets generated was $88.9 million in the fourth quarter of 2017, and $128.9 million for the year.

4.2 Revenues

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2018**	**2017**	**Var $**	**Var %**	**2018**	**2017**	**Var $**	**Var %**
Passenger revenues								
Corridor East	**64.6**	58.4	6.2	10.6%	**237.9**	212.5	25.4	12.0%
Southwestern Ontario (SWO)	**13.6**	12.7	0.9	7.1%	**50.6**	45.4	5.2	11.5%
Québec-City Windsor Corridor	**78.2**	**71.1**	**7.1**	**10.0%**	**288.5**	**257.9**	**30.6**	**11.9%**
Ocean	**2.2**	2.2	-	0.0%	**10.6**	10.1	0.5	5.0%
Canadian	**10.1**	10.2	(0.1)	(1.0%)	**59.2**	61.9	(2.7)	(4.4%)
Regional services	**0.5**	0.5	-	0.0%	**2.9**	3.8	(0.9)	(23.7%)
Non corridor	**12.8**	**12.9**	**(0.1)**	**(0.8%)**	**72.7**	**75.8**	**(3.1)**	**(4.1%)**
Other	**1.8**	9.9	(8.1)	(81.8%)	**7.4**	15.0	(7.6)	(50.7%)
Total passenger revenues under IFRS	**92.8**	**93.9**	**(1.1)**	**(1.1%)**	**368.6**	**348.7**	**19.9**	**5.7%**
Other revenues	**6.1**	6.0	0.1	1.7%	**23.6**	23.1	0.5	2.2%
Total revenues under IFRS	**98.9**	**99.9**	**(1.0)**	**(1.0%)**	**392.2**	**371.8**	**20.4**	**5.5%**
Adjustment for VIA Préférence points (non-funded) and other	**0.2**	(7.3)	7.5	102.7%	**0.4**	(6.1)	6.5	106.6%
TOTAL FUNDED REVENUES	**99.1**	**92.6**	**6.5**	**7.0%**	**392.6**	**365.7**	**26.9**	**7.4%**

Passengers	Quarters ended December 31				Years ended December 31			
(in thousands)	**2018**	**2017**	**Var #**	**Var %**	**2018**	**2017**	**Var #**	**Var %**
Passengers								
Corridor East	**902.9**	862.3	40.6	4.7%	**3,397.6**	3,129.5	268.1	8.6%
Southwestern Ontario (SWO)	**302.5**	286.1	16.4	5.7%	**1,134.8**	1,018.6	116.2	11.4%
Québec-City Windsor Corridor	**1,205.4**	**1,148.4**	**57.0**	**5.0%**	**4,532.4**	**4,148.1**	**384.3**	**9.3%**
Ocean	**16.7**	17.7	(1.0)	(5.6%)	**77.3**	78.8	(1.5)	(1.9%)
Canadian	**15.2**	16.0	(0.8)	(5.0%)	**82.1**	104.9	(22.8)	(21.7%)
Regional services	**10.9**	10.9	-	0.0%	**52.7**	60.4	(7.7)	(12.7%)
Non corridor	**42.8**	**44.6**	**(1.8)**	**(4.0%)**	**212.1**	**244.1**	**(32.0)**	**(13.1%)**
TOTAL PASSENGERS	**1,248.2**	**1,193.0**	**55.2**	**4.6%**	**4,744.5**	**4,392.2**	**352.3**	**8.0%**

Passenger revenues

Passenger revenues have decreased by $1.1 million (1.1 per cent) during the fourth quarter, the decrease is mainly attributable to a lower adjustment associated with the VIA Préférence points program ($7.4 million included in "other" category).

For the year, passenger revenues have increased by $19.9 million (5.7 per cent), the increase is mainly due to higher ridership (8.0 per cent), and improved average fares (3.6 per cent), partly offset by the lower adjustment associated with the VIA Préférence points program ($6.1 million included in "other" category).

Corridor East

Revenues for the quarter are $6.2 million (10.6 per cent) higher than last year. The increase stems from higher ridership (4.7 per cent), combined with improved average revenues (5.6 per cent).

On a cumulative basis, revenues have increased by $25.4 million (12.0 per cent), and the increase is also due to higher passenger volumes (8.6 per cent), combined with improved average revenues (3.1 per cent).

Southwestern Ontario

Revenues have grown by $0.9 million (7.1 per cent) during the quarter, due in most part to higher passenger levels (5.7 per cent), combined with improved average revenues (0.5 per cent).

On an annual basis, revenues have increased by $5.2 million (11.5 per cent), and the increase is due to higher passenger levels (11.4 per cent).

Ocean

Revenues for the quarter have remained stable at $2.2 million. Ridership decreased by 5.6 per cent but the impact of this decrease was totally offset by improved average revenues.

For the year, revenues have increased by $0.5 million (5.0 per cent), and the increase is due to improved average revenues (6.9 per cent), partly offset by a decline in ridership (1.9 per cent).

Canadian

Revenues on the *Canadian* have decreased by $0.1 million (1.0 per cent), and the decrease results from lower ridership (5.0 per cent), partly offset by improved average revenues (4.6 per cent).

Revenues for the full year have decreased by $2.7 million (4.4 per cent), and the decrease is mainly attributable to the poor on-time performance of the train during the first semester which resulted in loss of passengers including cancellations from tour operators. Ridership decreased by 21.7 per cent, but the decrease was partly offset by improved average revenues.

Regional services

Revenues on Regional services have remained stable for the quarter, but decreased by $0.9 million (23.7 per cent) for the year.

This decrease is due to the interruption of service on the Gillam-Churchill segment of the Winnipeg-Churchill train.

The service was interrupted in May 2017 following severe flooding which damaged the infrastructure, and only resumed in December 2018.

Adjustment for VIA Préférence points and other non-funded element

VIA Rail has recorded an adjustment of $0.2 million for the quarter, this is $7.5 million lower than last year.

The adjustment for the year is $0.4 million which represents a decrease of $6.5 million (106.6 per cent) compared to last year. The adjustment of 2017 results from a change in estimate relative to the probabilities of awarded points being converted into tickets. There was no such change in estimate this year.

Other revenues

Other revenues have increased by $0.1 million (1.7 per cent) for the quarter and have increased by $0.5 million (2.2 per cent) for the year.

The increase for the quarter is due to higher third party revenues and investment income, partly offset by lower station revenues. The increase for the year is mainly attributable to higher third party revenues and investment income.

4.3 Operating Expenses

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2018**	**2017**	**Var $**	**Var %**	**2018**	**2017**	**Var $**	**Var %**
Compensation and employee benefits	**77.4**	77.4	-	0.0%	**324.3**	302.2	22.1	7.3%
Train operations and fuel	**37.8**	35.8	2.0	5.6%	**148.0**	133.7	14.3	10.7%
Stations and property	**9.5**	11.5	(2.0)	(17.4%)	**39.9**	41.8	(1.9)	(4.5%)
Marketing and sales	**10.4**	10.0	0.4	4.0%	**37.5**	34.4	3.1	9.0%
Maintenance material	**9.4**	8.0	1.4	17.5%	**36.5**	34.7	1.8	5.2%
Professional services	**7.0**	6.8	0.2	2.9%	**22.9**	18.6	4.3	23.1%
Telecommunications	**5.6**	4.6	1.0	21.7%	**20.3**	18.7	1.6	8.6%
Depreciation and amortization	**25.7**	24.6	1.1	4.5%	**100.2**	91.7	8.5	9.3%
Loss on disposal of property, plant and equipment and intangible assets	**1.2**	4.6	(3.4)	(73.9%)	**5.3**	5.6	(0.3)	(5.4%)
Unrealized net loss (net gain) on derivative financial	**13.1**	(5.3)	18.4	347.2%	**5.9**	(5.6)	11.5	205.4%
Other	**13.9**	5.9	8.0	135.6%	**47.3**	44.3	3.0	6.8%
Total operating expenses under IFRS	**211.0**	**183.9**	**27.1**	**14.7%**	**788.1**	**720.1**	**68.0**	**9.4%**
Non-funded adjustments *(section 4.1)*	**(40.5)**	(16.4)	(24.1)	(147.0%)	**(122.9)**	(89.1)	(33.8)	(37.9%)
Total funded expenses	**170.5**	**167.5**	**3.0**	**1.8%**	**665.2**	**631.0**	**34.2**	**5.4%**

(Explanations are provided for expenses for which quarterly variances are of $3 million or more, or 10 per cent or more, of annual variances of $12 million or more, or 10 per cent of more)

Total operating expenses increased by $27.1 million (14.7 per cent) for the quarter and by $68.0 million (9.4 per cent) for the year. The primary variances are:

Compensation and employee benefits
The expense remained stable during the quarter. The increase in compensation costs associated with annual salary increases was offset by lower employee benefit costs.

The expense for the year has increased by 7.3 per cent, and the increase is attributable to increased capacity, annual salary increases, as well as overtime costs associated with poor on-time performance and additional trip-times on the *Canadian*.

Train operations and fuel
Increase of $2.0 million (5.6 per cent) for the quarter and $14.3 million (10.7 per cent) for the year.

The increase for the quarter is mainly due to the contracted cost increases for third party infrastructure usage fees (7.0 per cent).

The annual increase of $14.3 million is also due to higher infrastructure usage fees (additional capacity deployed and annual contractual cost increases), as well as higher on-train other expenses associated with poor on-time performance on the *Canadian*. Fuel costs also rose due to more consumption associated with the additional capacity deployed. This increase was partly offset by the $3.2 million refund VIA Rail received for prior years fuel excise tax.

Stations and property
Decrease of $2.0 million (17.4 per cent) for the quarter and of $1.9 million (4.5 per cent) for the year. The decrease is mainly attributable to the favorable settlement for prior years usage fees at Toronto Union station.

Maintenance materials
Increase of $1.4 million (17.5 per cent) for the quarter, mainly due to more work performed on locomotives. Total year expenses have increased by 5.2 per cent, the increase also due to more work performed on locomotives, partly offset by less repairs on cars.

Professional services
Increase of $0.2 million (2.9 per cent) for the quarter and of $4.3 million (23.1 per cent) for the year.

The increase for the year is due to higher amounts invested in the High Frequency Rail (HFR) project ($1.1 million more), costs for Cloud based projects which cannot be capitalized as per IFRS ($1.0 million), as well as for amounts invested in various operational transformation projects.

Telecommunications
Increase of $1.0 million (21.7 per cent) for the quarter and of $1.6 million (8.6 per cent) for the year. The increase for the quarter and the year results from maintenance and licence costs for newly implemented systems.

Depreciation and amortization
Increase of $1.1 million (4.5 per cent) for the quarter and $8.5 million (9.3 per cent) for the year.

The increase results from various capital projects completed in 2017 which are now amortized.

Unrealized net loss (net gain) on derivative financial instruments
Net loss of $13.1 million for the quarter and $5.9 million for the year, compared to net gains of $5.3 million and $5.6 million for the quarter and year ended December 31, 2017.

Net loss for the quarter and the year of 2018 reflect the fact that market fuel prices are lower than contract prices. Last year, gains were also generated for the quarter and the year, as market fuel prices were higher than the contract prices. The variance in the amount of the gains between 2018 and 2017 reflects the difference between market and contract prices. A higher gain is the result of a more significant variance between market and contract prices.

Other expenses
Increase of $8.0 million (135.6 per cent) for the quarter, and $3.0 million (6.8 per cent) for the year.

The main element explaining the increase for the quarter is to the cost for equipment repairs due to train incidents. This year, an expense of $2.0 million was recorded for the repair of 2 locomotives, whereas last year VIA Rail recorded a credit of $3.8 million following the settlement of a legal claim.

4.4 Financial Position

(in millions of Canadian dollars)	December 31, 2018	December 31, 2017	Var $	Var %
ASSETS				
Current assets	**102.4**	92.4	10.0	10.8%
Property, plant and equipment	**911.4**	883.8	27.6	3.1%
Intangible assets	**360.2**	369.5	(9.3)	(2.5%)
Advance on contract	**74.4**	-	74.4	n/a
Employee benefit assets	**17.6**	4.6	13.0	282.6%
Other	**0.9**	0.9	-	0.0%
Total assets	**1,466.9**	**1,351.2**	**115.7**	**8.6%**
LIABILITIES				
Current liabilities	**255.5**	159.6	95.9	60.1%
Employee benefit liabilities	**40.0**	65.6	(25.6)	(39.0%)
Total liabilities	**295.5**	**225.2**	**70.3**	**31.2%**
Deferred capital funding	**1,257.0**	**1,239.5**	**17.5**	**1.4%**
Share capital	**9.3**	9.3	-	0.0%
Accumulated deficit, beginning of period	**(122.8)**	(145.3)	22.5	15.5%
Net income (loss)	**(19.0)**	12.9	(31.9)	(247.3%)
Other comprehensive income	**46.9**	9.6	37.3	388.5%
Accumulated deficit, end of period	**(94.9)**	**(122.8)**	**27.9**	**22.7%**
Total liabilities and shareholder's deficit	**1,466.9**	**1,351.2**	**115.7**	**8.6%**

The main changes in the financial position result from the following major elements:

Assets

Total assets increased by $115.7 million due mainly to an advance on a contract as well as from higher property, plant and equipment.

Liabilities

Trade and other payables increased by $95.9 million due to an advance on contract of $74.4 million, while employee benefit liabilities decreased by $25.6 million as a result of the increase in discount rates.

Other comprehensive income

Other comprehensive income has increased due to the increase in discount rates affecting employee benefit assets and liabilities, as explained in section 4.1 of this document.

4.5 Liquidity, Cash Flows and Capital Investments

Liquidity and cash flows

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2018**	**2017**	**Var $**	**Var %**	**2018**	**2017**	**Var $**	**Var %**
Balance, beginning of period	**47.7**	18.1	29.6	163.5%	3.2	10.9	(7.7)	(70.6%)
Net cash (used in) provided by operating activities	**(15.5)**	(7.5)	(8.0)	(106.7%)	8.2	(1.4)	9.6	685.7%
Net cash (used in) provided by investing activities	**(17.4)**	(7.4)	(10.0)	(135.1%)	3.4	(6.3)	9.7	154.0%
Balance, end of period	**14.8**	**3.2**	**11.6**	**362.5%**	**14.8**	**3.2**	**11.6**	**362.5%**

Operating activities

Net cash decreased by $8.0 million (106.7 per cent) for the quarter and increased by $9.6 million (685.7 per cent) for the year. The increase is mainly due to the variance in non-cash working capital items, as shown in Note 25 of the financial statements.

Investing activities

Net cash decreased by $10.0 million for the quarter and increased by $9.7 million for the year. The decrease during the quarter results from the change in capital accounts payable and accrued liabilities. The increase for the year is also attributable to the change in the capital accounts payable and accrued liabilities, as well as from a $4.7 million drawdown from cash in the Asset Renewal Fund during the first quarter.

4.5 Liquidity, Cash Flows and Capital Investments (cont'd)

Capital investments

Property, plant and equipment and intangible assets amounted to $1,271.6 million as at December 31, 2018, which is an increase of $18.3 million compared to the balance as at December 31, 2017.

Capital investments of $45.6 million were made during the quarter and $123.8 million were invested during the year:

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2018**	**2017**	**Var $**	**Var %**	**2018**	**2017**	**Var $**	**Var %**
Equipment	**19.3**	4.2	15.1	359.5%	**46.0**	16.9	29.1	172.2%
Infrastructure	**10.4**	7.9	2.5	31.6%	**27.1**	14.5	12.6	86.9%
Information Technology	**5.1**	5.4	(0.3)	(5.6%)	**18.4**	16.4	2.0	12.2%
Stations	**3.8**	14.1	(10.3)	(73.0%)	**17.7**	29.2	(11.5)	(39.4%)
Other	**7.0**	4.4	2.6	59.1%	**14.6**	11.4	3.2	28.1%
Total	**45.6**	**36.0**	**9.6**	**26.7%**	**123.8**	**88.4**	**35.4**	**40.0%**

Note: As at December 31, 2018, there is a $2.0 million of account payable which will be paid from the Asset Renewal Fund and is not financed by the capital funding received from the Government of Canada ($121.8 million).

The most significant investments made during the quarter were in equipment projects for the HEP Corridor Economy cars rebuild projects, as well as in infrastructure projects, mainly for track upgrades and for bridge projects on infrastructure owned by VIA Rail.

The most significant investments made during the year were also for above mentioned projects, as well as in station projects, with the most significant projects realized at Ottawa, Halifax, Oshawa, Saskatoon and Edmonton stations, and in Information Technology projects, including the On-Board wifi optimization system, migration to Windows 10 project and in the reservation system.

5. Risk Analysis

This section highlights VIA Rail's key risks which may have potential impact on the Corporation's financial results, and provides information on risks for which the trend or status has changed compared to the status as at December 31, 2017.

Nature of Risk	Trend	Current Situation
Safety of passengers, employees and the public		
Events such as collisions, derailments and pedestrian accidents may negatively impact revenues. Such events and new regulations on grade crossings may also result in significant non-budgeted costs for the Corporation.	→	The Corporation, through its enhanced Safety Management System (SMS), applies operational procedures and controls which ensure compliance with railway safety requirements. VIA Rail also completes regular inspections of its equipment, stations and infrastructure. These activities are carried on to manage and mitigate the safety risks of our railway operations, as well as the potential significant unexpected costs which may result from these events. The Corporation has developed a security roadmap and, in 2018, has implemented various initiatives to enhance security in some of its stations. With regards to the new regulatory requirements on grade crossings issued by Transport Canada and effective on November 27, 2021, for which VIA Rail received a specific funding envelope, work is currently underway on the infrastructure owned by the Corporation. Discussions are on-going with the owners of other infrastructure on which VIA Rail operates for the execution of the work on their infrastructure.

↑ **Increasing** → **Stable** ↓ **Decreasing**

5. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Government and strategy		
VIA Rail has limited powers as a non-agent Crown Corporation and is dependent on annual government budgetary allocations to fund its operations, capital and pension obligations. Insufficient funding constitutes a risk in the efficient delivery of its services, as well as in the planning and execution of its medium-to-long term strategies.	→	VIA Rail has received, as part of the March 2017 federal budget, confirmed capital, operating and pension funding envelopes until March 2020. In 2019, VIA Rail will be requesting additional funding for the years beyond March 2020.
Employee contribution		
VIA Rail's workforce is mature and many employees could retire in the next few years, including some with specific technical skills. Without proper succession planning, key knowledge and competencies could be lost. The situation could result in loss of productivity and increased costs.	↓	VIA Rail has put in place an apprenticeship program for technical skilled positions and ensure successful transfer of knowledge. In addition, the Corporation has continued its locomotive engineer training program to have a sufficient workforce given potential upcoming retirements.

↑ **Increasing** → **Stable** ↓ **Decreasing**

Nature of Risk	Trend	Current Situation
Revenue generation		
Failure to meet our revenue plan can cause our funding to be insufficient and lead to cost/service reductions. Current revenue challenges include: o Deterioration of on-time performance due to infrastructure issues o Reduced capacity due to aging fleet o Competition o Deteriorating economic environment.	↑	VIA Rail generated growth in revenues for a fifth consecutive year, with increased ridership and average revenues, specifically on the Corridor. This growth was achieved through new frequencies and capacity optimization. VIA Rail is now operating all the frequencies is had been allowed to operate on CN infrastructure, therefore the only potential increase in capacity can be achieved through additional optimization of cycling. This year, poor on-time performance on the *Canadian* resulted in a decrease in revenue, and the decision by the Corporation to add trip-time to its schedule as of late July 2018 to minimize delays and negative impact on customer satisfaction. In addition, the schedule for summer 2019 has been modified and VIA Rail will only operate two full weekly frequencies between Toronto and Vancouver, the third frequency will only operate between Edmonton and Vancouver. VIA Rail has received the authorization and funding for its fleet replacement program, however the new fleet will not be in service before 2022, hence the Corporation will, for the next 3 to 4 years, be faced with sustaining on-time performance issues, an aging fleet and limited opportunities to grow capacity.
Costs influenced by external factors		
Elements exist outside of the Corporation's control such as harsh weather and financial and commodity market conditions that can have an adverse impact on costs such as fuel, equipment maintenance and pension costs. Failure to meet our budgeted costs can cause funding to be insufficient and lead to service reductions.	→	The Corporation monitors fuel operating costs closely and uses fuel hedging to minimize the potential negative impact of sharp cost increases. For equipment maintenance costs, initiatives have been implemented to optimize the equipment maintenance plan to minimize equipment failures resulting from harsh winter weather conditions. With regards to pension, the financial situation has remained favorable in 2018. The Corporation forecasts that the funded basis valuations will continue to show a surplus position. This results mainly from modestly higher discount rates which will lead to a decline in liability valuations, while assets registered marginally positive returns given the challenging investment environment.

5. Risk Analysis (cont'd)

Nature of Risk	Trend	Current Situation
Equipment quality, availability and reliability		
VIA Rail's equipment is aging and its reliability has deteriorated in the past few years, resulting in delays and additional operating costs. Maintenance costs could increase significantly in the next few years until a new fleet is introduced as reliability of the aging fleet may continue to deteriorate.	↓	The Government of Canada has approved and confirmed funding for the replacement of VIA Rail's corridor fleet. In the meantime, VIA Rail will continue to optimize the utilization of the current equipment until the new fleet is introduced. The Corridor capacity protection plan has been launched and the projects to reconfigure HEPI and HEPII cars to match the LRC car configuration are underway.
Infrastructure availability, reliability and quality		
The services provided by host railways have been deteriorating, resulting in declining on-time performance, which resulted in increased operating costs and which could lead to lower customer satisfaction and revenue generation.	↑	On-time performance deteriorated during the first half of the year, forcing the cancellation of two trains in May. VIA Rail worked with the host railway to address the situation, and a new schedule which adds 12 hours to the trip was launched on July 26, 2018. Although this new schedule has resulted in improved on-time performance, the delays and additional trip times have resulted in lost revenues and additional expenses. The Corporation has also made changes to its 2019 peak schedule with only 2 weekly frequencies operating from Toronto to Vancouver and a third frequency operating between Vancouver and Edmonton. This change was made to minimize congestion and risk of delays on CN infrastructure between Edmonton and Toronto. VIA Rail has also secured a 3 year contract extension with CN for the access to their rail infrastructure, as well as a 1 year contract extension with Metrolinx and *Caisse de dépôt et placement du Québec* (CDPQ) who own other parts of the infrastructure on which the Corporation's trains operate.

↑ **Increasing** → **Stable** ↓ **Decreasing**

Nature of Risk	Trend	Current Situation
Information technology		
The availability, reliability and responsiveness of existing and new information technology may have a positive or negative impact on the achievement of VIA Rail's strategic objectives and management of other key risks. Under investments in IT technology, security threats and lack of reliability of equipment could have significant impact on the Corporation's performance.	→	As part of the information technology risk roadmap, the Corporation has undertaken various actions during the last few years to minimize risks, including the implementation of an ongoing security framework, and the monitoring of perimeter and critical systems security. Furthermore, developed and implemented IT process directives continue to be monitored by the Corporation's corporate project management office, and tested by internal auditors.

6. Outlook

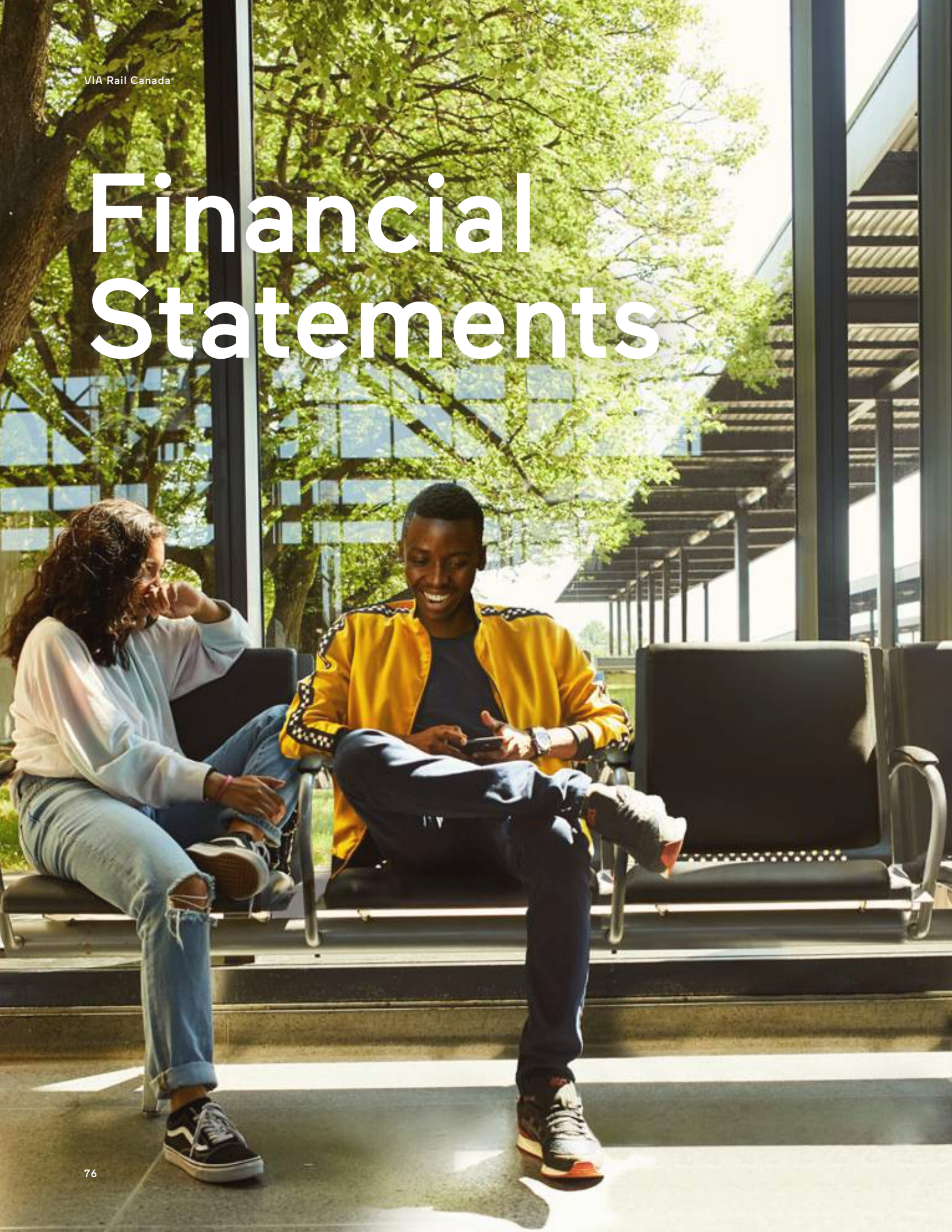
VIA Rail's performance in 2018 was positive in terms of revenues and ridership, with total revenues of more than $392 million, and more than 4.7 million passengers, but it was negatively impacted by poor on-time performance on the *Canadian*, with lower ridership and revenues, and higher operating expenses.

The Corporation increased revenues during the last five years by adding frequencies and optimizing capacity, however with frequencies being capped and fewer opportunities to further optimize capacity, revenue growth will become a challenge.

At the same time, operating expenses are growing as the Corporation invests in various initiatives such as HFR, and pursuing its transformation to deploy its Destination 2025 strategy. Cost management will become a central focus in the next few years to ensure that given the reduced potential to grow revenues, required investments in VIA Rail's transformation are achieved while respecting the authorized funding envelopes.

Meanwhile, the Corporation will also focus on its fleet replacement program to introduce its new modernized fleet in 2022, and will continue to work with Transport Canada on the HFR project.

Financial Statements



Management's Responsibility Statement

Year ended December 31, 2018

Management of the Corporation is responsible for the preparation and fair presentation of the financial statements contained in the Annual Report. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and necessarily include certain amounts that are based on management's best estimates and judgment. Financial information contained throughout the Annual Report is consistent with that in the financial statements. Management considers that the financial statements present fairly the financial position of the Corporation and its financial performance and its cash flows.

To fulfil 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 external auditor, the Auditor General of Canada, has audited the Corporation's financial statements for the year ended December 31, 2018 and his report indicates the scope of his audit and his opinion on the financial statements.

The Audit & Pension Investment Committee of the Board of Directors, consisting of independent Directors, meets periodically with the internal auditors PricewaterhouseCoopers, LLP 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 & Pension Investment Committee.

Yves Desjardins-Siciliano
President and Chief Executive Officer

Patricia Jasmin, CPA, CA
Chief Financial Officer

Montréal, Canada
March 19, 2019

Office of the Auditor General of Canada

Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VIA Rail Canada Inc., which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in shareholder's deficiency and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VIA Rail Canada Inc. as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of VIA Rail Canada Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing VIA Rail Canada Inc.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate VIA Rail Canada Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing VIA Rail Canada Inc.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VIA Rail Canada Inc.'s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on VIA Rail Canada Inc.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause VIA Rail Canada Inc. to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of VIA Rail Canada Inc. coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act* and regulations, the articles and by-laws of VIA Rail Canada Inc., and the directives issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of VIA Rail Canada Inc. that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRSs have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for VIA Rail Canada Inc.'s compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable VIA Rail Canada Inc. to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

Tina Swiderski, CPA auditor, CA
Principal
for the Auditor General of Canada

Montréal, Canada
19 March 2019

Financial Statements

Statement of Financial Position

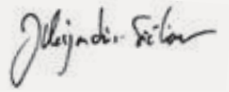
As at December 31 (in thousands of Canadian dollars)		**2018**		**2017**
CURRENT ASSETS				
Cash	**$**	**14,823**	$	3,195
Trade and other receivables *(Notes 10 and 32)*		**49,051**		48,479
Other current assets *(Note 11)*		**6,107**		4,059
Derivative financial instruments *(Note 12)*		**620**		3,476
Materials *(Note 13)*		**28,751**		25,465
Asset Renewal Fund *(Note 14)*		**3,096**		7,780
		102,448		92,454
NON-CURRENT ASSETS				
Property, plant and equipment *(Note 15)*		**911,374**		883,847
Intangible assets *(Note 16)*		**360,190**		369,477
Advance on contract *(Note 17)*		**74,399**		-
Asset Renewal Fund *(Note 14)*		**873**		873
Employee benefits assets *(Note 21)*		**17,634**		4,566
		1,364,470		1,258,763
Total Assets	**$**	**1,466,918**	$	1,351,217
CURRENT LIABILITIES				
Trade and other payables *(Note 18)*	**$**	**203,852**	$	113,791
Provisions *(Note 19)*		**9,423**		8,872
Derivative financial instruments *(Note 12)*		**5,287**		2,292
Deferred revenues *(Note 20)*		**36,961**		34,613
		255,523		159,568
NON-CURRENT LIABILITIES				
Employee benefits liabilities *(Note 21)*		**40,020**		65,620
		40,020		65,620
Deferred capital funding *(Note 23)*		**1,256,975**		1,239,544
SHAREHOLDER'S DEFICIENCY				
Share capital *(Note 24)*		**9,300**		9,300
Accumulated deficit		**(94,900)**		(122,815)
		(85,600)		(113,515)
Total Liabilities and Shareholder's deficiency	**$**	**1,466,918**	$	1,351,217

Commitments and Contingencies (Notes 28 and 31, respectively)

The notes are an integral part of the financial statements.

Approved on behalf of the Board,

Françoise Bertrand
Chairperson of the Board of Directors



Yves Desjardins-Siciliano
President and Chief Executive Officer

Financial Statements

Statement of Comprehensive Income

Year ended December 31 (in thousands of Canadian dollars)		**2018**		**2017**
REVENUES *(Note 7)*				
Passenger	**$**	**368,582**	$	348,726
Other		**23,617**		23,073
		392,199		371,799
EXPENSES				
Compensation and employee benefits		**324,286**		302,208
Train operations and fuel		**147,983**		133,670
Stations and property		**39,887**		41,830
Marketing and sales		**37,528**		34,395
Maintenance material		**36,497**		34,714
On-train product costs		**24,112**		20,955
Operating taxes		**10,767**		10,726
Professional services		**22,905**		18,554
Telecommunications		**20,263**		18,663
Depreciation of property, plant and equipment *(Notes 15 and 32)*		**72,694**		67,420
Amortization of intangible assets *(Notes 16 and 32)*		**27,518**		24,274
Loss on disposal of property, plant and equipment *(Notes 15 and 32)*		**4,974**		4,732
Loss on disposal of intangible assets *(Notes 16 and 32)*		**333**		819
Unrealized net loss (net gain) on derivative financial instruments		**5,851**		(5,639)
Realized (net gain) net loss on derivative financial instruments		**(3,375)**		4,200
Other		**15,851**		8,557
		788,074		720,078
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES *(Note 32)*		**(395,875)**		(348,279)
Operating funding from the Government of Canada *(Note 8)*		**272,565**		265,325
Amortization of deferred capital funding *(Note 23)*		**104,327**		96,053
Net income (loss) before income taxes		**(18,983)**		13,099
Income tax expense *(Notes 22 and 32)*		**27**		176
NET INCOME (LOSS) FOR THE YEAR		**(19,010)**		12,923
Other comprehensive income				
Amounts not to be reclassified subsequently to net income (net of tax): Remeasurements of defined benefit component of the pension plans and post-employment benefit plans *(Note 21)*		**46,925**		9,596
		46,925		9,596
COMPREHENSIVE INCOME FOR THE YEAR	**$**	**27,915**	$	22,519

The notes are an integral part of the financial statements.

Financial Statements

Statement of Changes in Shareholder's Deficiency

Year ended December 31 (in thousands of Canadian dollars)		**2018**		**2017**
SHARE CAPITAL	**$**	**9,300**	$	9,300
Accumulated deficit				
Balance, beginning of year		**(122,815)**		(145,334)
Net income (loss) for the year		**(19,010)**		12,923
Other comprehensive income for the year		**46,925**		9,596
Balance, end of year		**(94,900)**		(122,815)
Total Shareholder's deficiency	**$**	**(85,600)**	$	(113,515)

The notes are an integral part of the financial statements.

Financial Statements

Statement of Cash Flows

Year ended December 31 (in thousands of Canadian dollars)		**2018**		**2017**
OPERATING ACTIVITIES				
Net income (loss) for the year	**$**	**(19,010)**	$	12,923
Adjustments to determine net cash (used in) provided by operating activities:				
Depreciation of property, plant and equipment *(Notes 15 and 32)*		**72,694**		67,420
Amortization of intangible assets *(Notes 16 and 32)*		**27,518**		24,274
Loss on disposal of property, plant and equipment *(Notes 15 and 32)*		**4,974**		4,732
Loss on disposal of intangible assets *(Notes 16 and 32)*		**333**		819
Amortization of deferred capital funding *(Note 23)*		**(104,327)**		(96,053)
Interest income		**(786)**		(397)
Unrealized net loss (net gain) on derivative financial instruments		**5,851**		(5,639)
Post-employment and other employee benefit expenses *(Note 21)*		**39,845**		37,355
Employer post-employment and other employee benefit contributions *(Note 21)*		**(31,588)**		(38,431)
Net change in non-cash working capital items *(Note 25)*		**12,687**		(8,398)
Net cash (used in) provided by operating activities		**8,191**		(1,395)
INVESTING ACTIVITIES				
Government funding related to acquisition of property, plant and equipment and intangible assets received *(Notes 10, 23 and 32)*		**108,726**		80,064
Cash drawdown from the Asset Renewal Fund *(Note 14)*		**4,684**		-
Acquisition of property, plant and equipment and intangible assets *(Notes 15, 16 and 18)*		**(110,759)**		(86,732)
Interest received		**786**		397
Net cash (used in) provided by investing activities		**3,437**		(6,271)
CASH				
Increase (decrease) during the year		**11,628**		(7,666)
Balance, beginning of year		**3,195**		10,861
Balance, end of year	**$**	**14,823**	$	3,195
REPRESENTED BY:				
Cash	**$**	**14,823**	$	3,195
	$	**14,823**	$	3,195

The notes are an integral part of the financial statements.

Notes to the Financial Statements

Year ended December 31

1. Authority and Objectives

VIA Rail Canada Inc. is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation was incorporated in 1977 in Canada, under the *Canada Business Corporations Act*. The corporate headquarters is located at 3 Place Ville-Marie, Montréal (Québec). The Corporation's vision is to be a smarter way to move people with a mission to place passengers at the core of everything we do and strives to offer a safe, smart and valued travel experience across Canada. The Corporation uses the roadway infrastructure of other railway companies and relies on them to control train operations.

The Corporation is subject to a directive (P.C. 2013-1354) that was issued on December 9, 2013, and a related subsequent directive (P.C. 2016-443) that was issued on June 3, 2016, pursuant to sections 89.8 and 89.9 of the *Financial Administration Act*. As per these directives, the Corporation must obtain Treasury Board approval on the terms and conditions of employment of its non-unionized employees who are not appointed by Governor in Council. The Corporation confirms that the requirements of these directives have been met.

In July 2015, the Corporation was issued a directive (P.C. 2015-1114) pursuant to section 89(1) of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with its legal obligations, and to report on the implementation of this directive in the Corporation's next corporate plan. The Corporation confirms that the requirements of the directive have been met.

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

The Corporation has one operating segment, passenger transportation and related services in Canada. The Corporation's activities are considered seasonal since passenger traffic increases significantly during the summer and holiday periods resulting in an increase in revenue for these same periods.

These financial statements were approved and authorized for issue by the Board of Directors on March 19, 2019.

2. Basis of Preparation

a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except when a specific IFRS standard required fair values measurement as explained in the accounting policies below.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.
All financial information presented in Canadian dollars has been rounded to the nearest thousand in the Corporation's financial statements and rounded to the nearest million in the notes to the financial statements.

3. Changes in Accounting Policies Adopted in the Current Year

IFRS 15 – *Revenue from Contracts with Customers* – In the year ending December 31, 2018, the Corporation has applied IFRS 15 – *Revenue from Contracts with Customers* (as amended in April 2016). The standard specifies how and when revenue should be recognized and requires entities to provide more informative and relevant disclosures to users. The standard, which supersedes IAS 18 – *Revenue*, IAS 11 – *Construction Contracts* and a number of revenue-related interpretations applies to nearly all contracts with customers, unless the contracts are within the scope of other IFRS such as IAS 17 – *Leases*. The application of IFRS 15 did not have a significant impact and no adjustment was made to the financial statement. The Corporation's accounting policies for its revenue streams are disclosed in detail in Note 5. As required in the financial statements, the Corporation disaggregated revenue recognized from contracts with customers into categories that depict how the nature of services rendered in Note 7.

Under the basic principle of IFRS 15, a corporation must recognize revenue to show when the goods or services promised to customers are provided, and to what amount of consideration the entity expects to be entitled to in exchange of such goods or services. The standard proposes a five-step model for the recognition of revenue, identifying customer contracts, identifying contractual obligations, determining the transaction price, transaction price between the various contractual obligations and the recognition of revenue when the entity has (or as it fulfils) a performance obligation.

Under IFRS 15, a corporation recognizes revenue when a benefit obligation is fulfilled (or as it is met), that is, when control of the underlying goods or services under consideration by this obligation of service is transferred to the client. Adoption of IFRS 15 has no significant impact on the timing of revenue recognition as it is similar to how the Corporation recognized revenue under IAS 18.

IFRS 9 – *Financial Instruments* – In the year ending December 31, 2018, the Corporation applied IFRS 9 – *Financial Instruments* (as revised in July 2014) for the first time. IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities, impairment for financial assets and hedge accounting.

The application of IFRS 9 did not have a significant impact and no adjustment was made to the financial statements. The Corporation's accounting policies and details about financial instruments are described in Notes 5, 9, 10 and 18.

a) Financial assets – Classification and measurement

IFRS 9 replaces classification and measurement models in IAS 39 – *Financial Instruments: Recognition and Measurement* with a single model under which financial assets are classified and subsequently measured at amortized cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI). The classification is based on two criteria: the Corporation's business model in which a financial asset is managed and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale are eliminated. All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value.

Impairment

The adoption of IFRS 9 changed the Corporation's accounting for impairment losses for financial assets by replacing IAS 39's incurred credit loss model with a forward-looking expected credit loss (ECL) approach.

The adoption of IFRS 9 changed the classification but had no significant impact on the measurement of the Corporation's financial assets.

3. Changes in Accounting Policies Adopted in the Current Year (cont'd)

The table below illustrates the changes in the classification and measurement of the Corporation's financial assets:

Financial instruments	Classification and measurement under IAS 39	Classification and measurement category under IFRS 9 as at January 1, 2018
Cash	Loans and receivables, measured at amortized cost	Amortized cost
Trade and other receivables	Loans and receivables, measured at amortized cost	Amortized cost
Derivative financial instruments	FVTPL	FVTPL
Asset Renewal Fund	FVTPL	FVTPL

b) Financial liabilities – Classification and measurement

The adoption of IFRS 9 changed the classification but had no impact on the measurement of the Corporation's financial liabilities.

The table below illustrates the changes in the classification and measurement of the Corporation's financial liabilities:

Financial instruments	Classification and measurement under IAS 39	Classification and measurement category under IFRS 9 as at January 1, 2018
Trade and other payables	Other financial liabilities, measured at amortized cost	Amortized cost
Derivative financial instruments	FVTPL	FVTPL

c) Derivative financial instruments

The application of IFRS 9 has no impact on the Corporation's derivative financial instruments such as commodity swaps and forward foreign exchange contracts. These derivative financial instruments are not designated as hedging instruments.

4. New and Revised IFRS Issued but not yet Effective

IFRS 16 – *Leases* – In January 2016, the IASB published a new standard to replace the previous standard IAS 17 – *Leases*. The new standard requires leases to be reported on a lessee's statement of financial position as assets and liabilities, provides more transparency and improves comparability between corporations. The Corporation has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

This standard is effective for periods beginning on or after January 1, 2019, with early application permitted for corporations that also apply IFRS 15 – *Revenue from Contracts with Customers*. The Corporation did not early applied IFRS 16 and will apply the modified approach.

During 2018, the Corporation has performed a detailed impact assessment of IFRS 16. In summary, the impact is an increase in the right-of-use asset and an increase in the lease liabilities for approximately $35 million as at January 1, 2019 in the Corporation's statement of financial position.

Due to the adoption of IFRS 16, the Corporation's interest and depreciation and amortization will increase while the stations and property expenses will decrease. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

The amount of commitments relating to operation leases will be reduced significantly because the non-cancellable operating leases will be considered as leases under IFRS 16 and will be presented in the statement of financial position.

IFRIC 23 – *Uncertainty over Income Tax Treatment* – In June 2017 the IASB issued IFRIC 23 – *Uncertainty over Income Tax Treatments*. This IFRIC Interpretation aims to reduce diversity in how Corporations recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. This IFRIC Interpretation is effective for periods beginning on or after January 1, 2019. A full retrospective application is permitted if a corporation can do so without using hindsight. IFRIC 23 will not have any impact on the Corporation's financial statements.

5. Summary of Significant Accounting Policies

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 funding is determined on the basis of operating expenses less commercial revenues excluding unrealized gains and losses on financial instruments, non-cash employee benefits, non-cash transactions relating to property, plant and equipment, intangible assets, deferred income taxes, adjustment for accrued compensation and adjustment for VIA Préférence and is based on the operating budget approved by the Government of Canada for each year.

Funding for depreciable property, plant and equipment and intangible assets is recorded as deferred capital funding in the statement of financial position and is amortized on the same basis and over the same periods as the funded depreciable property, plant and equipment and intangible assets. Upon disposal of the funded depreciable property, plant and equipment and intangible assets, the Corporation recognizes into net income all remaining deferred capital funding related to the relevant assets.

Funding for non-depreciable property, plant and equipment is recorded as deferred capital funding in the statement of financial position and is amortized on the same basis and over the same periods as the related depreciable property, plant and equipment.

b) Revenue recognition

i) Passenger revenues

Revenue related to train services is recorded as deferred revenue until the transportation service has been provided. The service is rendered to the customer as the train journey is made. The performance obligation is satisfied over time. The customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs the train service.

For sales of on-train food and beverages and off-train, revenues are recognized when control of the goods has transferred, being at the point the customer purchases the goods.

The Corporation offers its customers the opportunity to earn points in a loyalty program. This program allows customers to purchase additional services – future train tickets from the accumulated VIA Préférence points. The Corporation considers that the awarding of points gives rise to a performance obligation separate from the purchase of the train ticket, since they confer on the customer a significant right to which he would not have been entitled if he had not bought a train ticket. The customer pays in advance for future services. The consideration received in respect of ticket sales is split between the points awarded under the VIA Préférence loyalty program and the passenger transportation services. The amount allocated to the loyalty program is based on the probability of the awards being converted into train tickets. The probability is reviewed at the end of each annual reporting period. Revenue related to loyalty program points is recognized as deferred revenue until it is exchanged for train tickets. When points are redeemed, the proceeds are determined by the number of points redeemed in exchange for train tickets.

ii) Other revenues

Other revenues including third-party revenue and investment income are recognized as they are earned. For such services, the customer simultaneously receives and consumes the benefits provided by the Corporation's performance as the Corporation performs the third-party services or the rental services. The change in fair value of financial instruments at FVTPL that are not derivative financial instruments is recognized in other revenues.

5. Summary of Significant Accounting Policies (cont'd)

c) Materials

Materials, consisting primarily of items used for the maintenance of rolling stock, are valued at the lower of cost and net realizable value. The cost is determined using the weighted average method and net realizable value is defined as the replacement cost. Materials are presented net of the related obsolescence provision.

d) Property, Plant and Equipment

Property, plant and equipment are recorded at the cost, less accumulated depreciation and any accumulated impairment losses. The cost includes all expenditures directly attributable to the acquisition of the asset. When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated over their respective useful lives.

Maintenance and repair costs are recognized as follows:

i) Rolling stock:
Maintenance expenses incurred during the useful life of equipment (regular maintenance activities to maintain the asset in a good condition) are recorded as operating expenses.

The cost of periodic major overhaul programs are capitalized as a separate component and depreciated over its expected useful life.

ii) Fixed installations:
Maintenance and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses.

The costs of periodic major building repair programs are capitalized as a separate component and depreciated over its expected useful life.

Depreciation of property, plant and equipment is calculated on a straight-line basis, from the date they are available for use, at rates sufficient to depreciate the cost of property, plant and equipment, less their residual value, over their estimated useful lives except for leasehold improvements related to the lease of buildings and stations where the depreciation period is the shorter of the lease term or its estimated useful life. The estimated useful lives are as follows:

	Years
Rolling stock	**5 to 75**
Maintenance buildings	**15 to 75**
Stations and facilities	**10 to 50**
Owned infrastructure	**10 to 50**
Leasehold improvements	**10 to 40**
Machinery and equipment	**5 to 15**
Computer hardware	**3 to 7**
Other property, plant and equipment *(Note 1)*	**7 and 20**

Note 1: Other property, plant and equipment include mostly office furniture, luggage carts and security equipment.

The estimated useful life, depreciation method and residual value are reviewed at the end of each annual reporting period taking into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets, with the effect of any changes in estimate being accounted for on a prospective basis. No depreciation is provided for projects in progress and land.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded under ''Loss on disposal of property, plant and equipment'' and ''Loss on disposal of intangible assets'' in the statement of comprehensive income.

e) Intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is recorded on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, taking into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets, with the effect of any changes in estimate being accounted for on a prospective basis. No amortization is provided for projects in progress.

For internally-generated intangible assets, the expenditure on research activities is recognized as an expense in the year in which it is incurred and the development expense from the development phase of an internal project is recognized as intangible assets if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to net income in the year in which it is incurred.

The Corporation's intangible assets have a finite useful life and are amortized over their useful life according to the straight-line method over the following years:

	Years
Software	**3 to 5**
Rights of access to rail infrastructure	**38**
Other intangible assets	**20 to 25**

f) Impairment of non-financial assets

The Corporation reviews at each statement of financial position date whether there is any indication of impairment (obsolescence, physical deterioration, significant changes in the method of utilisation, performances falling short of forecasts, decline in revenues, other external indicators) or reversal of impairment loss. Non-financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the non-financial asset, the asset's carrying amount exceeds its recoverable amount. If there are indicators of impairment present, the asset's recoverable amount is estimated. Assets that are not yet available for use are tested for impairment at every reporting period regardless of whether an indicator exists.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The fair value is determined using the current replacement cost. The value in use is determined by the estimated present value of future cash flows generated by the asset.

5. Summary of Significant Accounting Policies (cont'd)

The carrying amount of the Corporation's property, plant and equipment and intangible assets are reviewed at the cash-generating unit (CGU) level to determine whether there is any indication of impairment. For the purpose of impairment testing, a CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets. Assets are tested at the CGU level when they cannot be tested individually.

Under the Corporation's business model, no assets are considered to generate cash flows that are largely independent of the cash flows of other assets and liabilities. Instead, all assets interact to create the passenger train service which include property, plant and equipment and intangible assets. These operations are funded by parliamentary appropriations, customers revenues and third-party revenues. Overall levels of cash flows reflect public policy requirements and decisions. They reflect budgetary funding provided to the Corporation in its entirety.

An impairment loss is recognized in net income and calculated as the difference between the carrying amount and the recoverable amount.

When there is a reversal of impairment loss, the carrying amount of the asset is increased to the lower of the recoverable amount and the carrying amount (net of depreciation or amortization) that the asset would have had if previous impairment loss had not been recognized. The reversal of impairment loss is recognized in net income.

g) Provisions and contingencies

Provisions, including provisions for legal litigations, restructuring and environmental issues, are recognized when it becomes probable that a present obligation (legal or constructive) resulting from a past event will require a settlement and when the amount can be estimated reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Contingent liabilities are not recognized in the statement of financial position, unless they meet the criteria of a provision. Contingent liabilities may arise from uncertainty as to the existence of a liability, or represent an existing liability in respect of which settlement is not probable or the amount cannot be reliably measured. These contingent liabilities are disclosed in the notes.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The provision for litigations is determined on a case by case basis by the legal service group of the Corporation. External consultants are solicited for the most significant and complex litigations.

A restructuring provision is recognized when the Corporation has developed a detailed formal plan for the restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to the affected employees. The measurement of a restructuring provision includes only the direct expenditures, mainly severance costs, arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Corporation.

The environmental provision includes estimated costs to meet Government standards and regulations when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation work are based on the Corporation's prior experience.

h) Income taxes

The Corporation utilizes the asset and liability method of accounting for taxes under which deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount and the tax basis of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in net income in the year based on tax rates that have been enacted, or substantially enacted, by the end of the reporting period. Deferred income tax assets are recognized to the extent that realization is considered probable.

i) Employee benefits

i) Post-employment benefits

Post-employment benefits include post-retirement medical and life insurance benefits as well as pension plans with defined benefit and defined contribution components.

Employer contributions related to the defined contribution component of the pension plan are recognized as an expense when employees render the service entitling them to the contributions.

The Corporation's obligations for the defined benefit component of the pension plans as well as for other post-employment benefits are actuarially determined using the projected unit credit method and management's best estimate. The present value of the defined benefit obligations are calculated using discount rates based on an interest rate curve that represents the yields on corporate AA bonds. The CIA's calculation model establishes the rates for longer maturities by extrapolating the yield curve to maturity of AA-rated corporate bonds based on the observed relationship between the yields of AA-rated corporate bonds or provincial AA-rated bonds and those of Canada in the medium-term maturity range. This relationship is then transposed to the universe of provincial AA-rated bonds with longer maturities to extrapolate the bond yields of AA-rated corporate bonds.

The Corporation determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined obligation at the beginning of the year to the net defined benefit liability.

The current service costs, the net interest expense on the net defined benefit liability, the gains and losses on curtailment or settlement and plan amendments are recognized in net income in the year they are incurred.

Remeasurements arising from defined benefit plans comprised of changes in demographic assumptions, changes in financial assumptions, experience adjustments and the return on plan assets excluding amounts included in net interest on the net defined benefit liability are recognized in other comprehensive income (loss) in the year they are incurred.

ii) Employment benefits other than post-employment benefits

The Corporation provides employment benefits other than post-employment benefits as follows:

- Compensation and short-term employee benefits include the annual salary, performance bonuses, paid vacations not included in the annual salary, short-term sick leave, health, dental and life insurance benefits. These benefits are measured on an undiscounted basis and are expensed as the related service is provided.
- Long-term employee benefits include workers' compensation benefits as well as long-term disability benefits and continuation of benefit coverage for employees on long-term disability.

  The actuarial obligation for workers' compensation benefits is calculated on an event driven basis. The method involves dividing the obligation into two distinct components: awarded pensions and future awards. The actuarial obligation for awarded pensions is the actuarial present value of all future projected payments for the award determined as at the valuation date. The actuarial obligation for future awards is the discounted value of expected cash flow for awards yet to be made. The Corporation is self-insured for its workers' compensation benefits.

5. Summary of Significant Accounting Policies (cont'd)

The actuarial obligation for other long-term disability benefits and continuation of benefit coverage for employees on long-term disability is calculated on an event driven basis. This method incorporates management's best estimate of cost escalation as well as demographic and other financial assumptions.

Actuarial gains and losses and other changes in the Corporation's obligations are recognized in net income in the year in which they arise.

- Termination benefits include benefits that are payable when an employment contract is terminated before the normal retirement date. They are recognized as a liability and expense for termination benefits at the earlier of the following dates:

  (a) when the Corporation can no longer withdraw the offer of those benefits; and

  (b) when the Corporation recognizes costs for a restructuring (provision) and involves the payment of termination benefits.

- Other long-term employee benefits include job security benefits administered by various union agreements. These benefits are calculated on an event driven basis and represents management's best estimates of the present value of all future projected payments to unionized employees.

j) Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. They are initially measured at fair value.

i) Financial assets

Classification and measurement
Financial assets are measured at fair value at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL).

The classification of a financial assets at initial recognition depends on the financial asset's contractual cash flows characteristics and the Corporation's business model for managing them. With the exception for trade and other receivables that do not contain a significant financing component for which the Corporation has applied the practical expedient, the Corporation measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in net income.

For a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. This assessment is performed at an instrument level.

Financial assets that do not give rise to cash flows that are ''solely payments of principal and interest'' are classified and measured at FVTPL.

The Corporation's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Corporation commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost
- Financial assets at FVTOCI with recycling of cumulative gains and losses
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVTPL

Financial assets at amortized cost
This category is the most relevant for the Corporation. The Corporation measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in net income when the asset is derecognized, modified or impaired.

The Corporation's financial assets at amortized cost includes cash, trade and other receivables and Asset Renewal Fund.

Financial assets at FVTOCI
The Corporation measures a financial asset at FVTOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in net income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to net income.

In the current period, the Corporation has no financial assets at FVTOCI.

Financial assets at FVTPL
Financial assets that do not meet the criteria necessary to be measured at amortized cost or at FVTOCI are measured at FVTPL. More precisely financial assets at FVTPL are financial assets held for trading or financial assets designated upon initial recognition at FVTPL. Financial assets are classified at FVTPL if they are acquired for selling or repurchasing in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for financial assets to be classified at amortized cost or at FVTOCI, as described above, financial assets may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in net income.

The Corporation's financial assets at FVTPL includes derivative financial instruments.

5. Summary of Significant Accounting Policies (cont'd)

Derecognition
A financial asset is primarily derecognized i.e. removed from the Corporation's statement of financial position when:

- The rights to receive cash flows from the asset have expired, or
- The Corporation has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either the Corporation has transferred substantially all the risks and rewards of the asset, or the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Corporation recognizes a loss allowance for expected credit losses (ECLs) for all financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Corporation applies a simplified approach in calculating ECLs which is possible under IFRS 9 when certain conditions apply. The Corporation uses the practical expedient and need not to adjust the promised amount of consideration for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation performs the service to a customer and when the customer pays for that service will be one year or less. Therefore, the Corporation does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a loss allowance matrix that is based on to past default experience of the debtor, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Amounts considered uncollectible are written off and are included in the "Other" expenses line item in the statement of comprehensive income. The Corporation do not recognize an ECL for cash and Asset Renewal Fund as they comprise solely of cash.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, and subsequently measured at amortized cost or at FVTPL.

All financial liabilities are recognized initially at fair value.

The Corporation financial liabilities include trade and other payables and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Other financial liabilities at amortized cost
A financial liability that is not a contingent consideration from an acquirer in a business combination, held for trading, or designated at FVTPL is subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in net income when the financial liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method.

The Corporation's liabilities at amortized cost includes trade and other payables.

Financial liabilities measured at FVTPL
Financial liabilities at FVTPL include financial liabilities that are incurred for repurchasing in the near term and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities classified as FVTPL also includes derivative financial instruments entered by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as FVTPL unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities classified at FVTPL are recognized in net income.

The Corporation's financial liabilities at FVTPL includes derivative financial instruments.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the net income.

iii) Derivative financial instruments

Initial recognition and subsequent measurement
The Corporation uses derivative financial instruments, such as commodity swaps and forward foreign exchange contracts to manage its exposure to fuel price risk and currency risk.

Derivatives are initially recognized at fair value at the date on which a derivative contract is entered and are subsequently remeasured at fair value at the reporting date of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any resulting fair value changes are recognized in net income immediately under "Unrealized net loss (net gain) on derivative financial instruments" unless the derivative is a designated and effective hedging instrument, in which case the timing of recognition in the statement of comprehensive income depends on the nature of the hedging relationship. In the current period, the Corporation had not designated these derivative financial instruments hedging instruments.

Classification – Subsequently measured at	Applicable to	Initial measurement	Subsequent measurement	Recognition of income/ expense and gain/losses on remeasurement, if any
Amortized cost	• Cash • Trade and other receivables • Asset Renewal Funds • Trade and other payables	Fair value including transaction costs	Amortized cost using the effective interest rate method	Net income
Fair value through profit or loss (FVTPL)	Derivative financial instruments	Fair value	Fair value	Net income

5. Summary of Significant Accounting Policies (cont'd)

k) Non-monetary transactions

Non-monetary transactions are recorded at the estimated fair value of the goods or services received. When the fair value of the goods and services received cannot be measured reliably, the transactions are recorded at the estimated fair value of the goods or services given. Revenues from non-monetary transactions are recognized when the related services are provided which is over time. Expenses resulting from non-monetary transactions are recognized during the year when goods or services are provided by third parties.

6. Key Sources of Estimation Uncertainty and Critical Judgments

In the application of the Corporation accounting policies, management is required to make certain judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

Estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. They are reviewed on an ongoing basis.

Changes to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. However, uncertainties relating to judgments, assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in future years.

a) Useful lives of depreciable assets

The key estimate used for Property, plant and equipment and intangible assets is their useful lives. When determining the expected useful lives of these assets, management takes into account the nature of the assets, past experience, changing technologies and expectations for the in-service period of the assets. Management reviews the useful lives of depreciable assets annually. As at December 31, 2018, management assessed that the useful lives represent the expected utility of the assets to the Corporation.

b) VIA Préférence Program

The VIA Préférence program allows members to acquire "award points" as they travel on the train. These award points entitle members to free travel on our trains. In determining the fair value of the award points recorded as deferred revenues, the Corporation takes into consideration the probability of the awards being converted into train tickets. The estimated probabilities on point redemption are based on management experience and on changing customer behavior and may not reflect the actual redemption rate in the future. As such, the amount allocated between the transportation service and the award points may have been significantly different if different probability estimates had been used.

c) Post-employment and other employee benefits

Except for the defined contribution component of the pension plans, the cost of post-employment and other employee benefits and the present value of the related obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates used to measure the obligations, expected future salary increases, expected retirement age, expected mortality rates, expected health care cost trends, expected inflation and expected future pension increase. When determining these assumptions, management takes into account past experience, current market conditions and rates, and the expertise of its actuaries. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Actual results may differ from results that are estimated based on assumptions.
A sensitivity analysis of key assumptions is presented in Note 21.

d) Income taxes

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals. The Corporation has not recognized any deferred income tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current income tax assets and liabilities.

e) Impairment of non-financial assets

The Corporation uses judgment in assessing, at each reporting date, whether there is any indication that non-financial assets may have lost value requiring the completion of an impairment test. These tests are designed, in part, to determine a recoverable amount, which is the fair value, based on current replacement cost, less costs of disposal. The current replacement cost and the costs of disposal calculations are based on management's best estimates. Difference in estimates could materially affect the financial statements in determining both the impairment existence and the amount of impairment.

f) Provisions

Determining whether a past event should be recognized as a provision requires management to exercise judgment. The Corporation must determine if a present obligation arises from past events, if it is probable that the Corporation will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. The decision is based on management's experience and judgment. If the Corporation considers that one of the three conditions is not satisfied, it must still determine if a contingent liability should be disclosed in the notes, unless the possibility of any outflow in settlements is remote.

7. Revenues

The following table disaggregates the revenue by major sources:

(in millions of Canadian dollars)	2018	2017
REVENUES		
Transportation and accommodation	**356.9**	338.4
On-train food and beverages and other	**11.7**	10.3
Revenues from passengers	**368.6**	348.7
Investment income	**0.8**	0.4
Third-party servicing	**9.6**	9.1
Rental and sub-lease rental income	**13.2**	13.6
Revenues from other sources	**23.6**	23.1
Total	**392.2**	371.8

8. Reconciliation of Operating Loss to Government Funding

The Corporation receives its funding from the Government of Canada based primarily on cash flow requirements. Items recognized in the statement of comprehensive income in one year may be funded by the Government of Canada in different years. Accordingly, the Corporation has different net results of operations for the year on a government funding basis than on an IFRS basis. These differences are outlined below:

(in millions of Canadian dollars)	2018	2017
Operating loss before funding from the Government of Canada and income taxes	**395.9**	348.3
Items requiring operating funds:		
Income tax expense	**-**	0.2
Items (not requiring) not providing operating funds:		
Depreciation of property, plant and equipment	**(72.7)**	(67.4)
Amortization of intangible assets	**(27.5)**	(24.3)
Loss on disposal of property, plant and equipment	**(5.0)**	(4.8)
Loss on disposal of intangible assets	**(0.3)**	(0.8)
Post-employment and other employee benefits contributions in excess of expenses	**(8.3)**	1.1
Unrealized (net loss) net gain on derivative financial instruments	**(5.9)**	5.6
Adjustment for accrued compensation	**(3.3)**	(0.1)
Adjustment for VIA Préférence	**(0.3)**	6.2
Other	**-**	1.3
Operating funding from the Government of Canada	**272.6**	**265.3**

9. Classification of Financial Instruments

The financial instruments held by the Corporation are classified as follows:

	2018		
	Carrying value		Fair value
(in millions of Canadian dollars)	FVTPL	Amortized cost	
Financial assets:			
Cash	-	14.8	14.8
Trade and other receivables	-	8.0 [1]	8.0
Derivative financial instruments	0.6[2]	-	0.6
Asset Renewal Fund	-	4.0	4.0
Total	0.6	26.8	27.4
Financial liabilities:			
Trade and other payables	-	194.9[3]	194.9
Derivative financial instruments	5.3[2]	-	5.3
Total	5.3	194.9	200.2

	2017		
	Carrying value		Fair value
(in millions of Canadian dollars)	FVTPL	Amortized cost	
Financial assets:			
Cash	-	3.2	3.2
Trade and other receivables	-	9.7[1]	9.7
Derivative financial instruments	3.5[2]	-	3.5
Asset Renewal Fund *(Note 1)*	8.7	-	8.7
Total	12.2	12.9	25.1
Financial liabilities:			
Trade and other payables	-	104.3[3]	104.3
Derivative financial instruments	2.3[2]	-	2.3
Total	2.3	104.3	106.6

Note 1: At the beginning of the period, Asset Renewal Fund was comprised of financial assets that did not give rise to cash flows that were "solely payments of principal and interest". Therefore, the Corporation has presented the Asset Renewal Fund as a financial instrument measured at FVTPL in the notes to the financial statements. During the current period, the financial instruments included in Asset Renewal Fund have been reclassified as cash and should be presented at Amortized cost instead of FVTPL. This change has no impact on the amounts presented in the financial statements.

FVTPL – Fair value through profit and loss.

(1) See detail in Note 10.

(2) Comprised of derivative financial instruments not designated in a hedging relationship.

(3) See detail in Note 18.

10. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	2018	2017
Trade	**2.7**	2.8
Other receivables	**5.4**	7.0
Loss allowance	**(0.1)**	(0.1)
Trade and other receivables classified at Amortized cost	**8.0**	9.7
Amount receivable from the Government of Canada – Operating funding *(Note 23)*	**13.7**	26.7
Amount receivable from the Government of Canada – Capital funding *(Note 23)*	**23.6**	10.5
Sales taxes	**3.7**	1.6
Total trade and other receivables	**49.0**	48.5

All trade and other receivables amounts have short-term maturities. Their net book values correspond to a reasonable approximation of their fair value.

The net book value of the past due receivables of the Corporation is $1.1 million (December 31, 2017: $1.1 million) at the closing date. The maturity of these receivables is detailed in the following table:

(in millions of Canadian dollars)	2018	2017
Not impaired and past due by:		
0 to 30 days	**0.4**	0.8
31 to 60 days	**0.7**	0.3
61 to 90 days	**-**	-
Over 90 days	**-**	-
Total	**1.1**	1.1

The Corporation has recognized in the current year an amount of $1.2 million of impairment losses arising from contracts with customers and other receivables, which is presented in the line "Other" in the statement on comprehensive income (December 31, 2017: $1.1 million).

11. Other Current Assets

The other current assets balance includes the following:

(in millions of Canadian dollars)	2018	2017
Prepaids	**4.0**	3.8
Advance on contracts	**2.1**	0.3
Total other current assets	**6.1**	4.1

12. Derivative Financial Instruments

The Corporation uses commodity swaps where it exchanges cash payments based on changes in the price of a commodity (i.e. heating oil) compared to the agreed benchmark. The Corporation also enters into forward foreign exchange contracts to buy USD at a specified price and date in the future. These contracts are related to the commodity swaps.

At the end of the year, the fair value of the derivative financial instruments is as follows:

	2018		2017	
Commodity Swaps	**Notional quantity** (000's of U.S. gallons)	**Fair value CAD** (millions)	**Notional quantity** (000's of U.S. gallons)	**Fair value CAD** (millions)
Assets	**3,528**	**0.6**	14,112	3.3
Liabilities	**14,616**	**5.3**	4,032	1.3

As at December 31, 2018, the commodity swaps in USD have a fixed price per U.S. gallon of 1.950 USD and the commodity swaps in CAD have a fixed price per U.S. gallon between 2.030 and 3.100 CAD (December 31, 2017: between 1.840 and 2.655 USD and between 1.950 and 2.431 CAD). The maturity dates for both currencies range between 2019 to 2020 (December 31, 2017: 2018 to 2019 for both currencies). These financial instruments have a monthly settlement schedule.

	2018		2017	
Forward foreign exchange contracts	**Notional amount USD** (millions)	**Fair value CAD** (millions)	**Notional amount USD** (millions)	**Fair value CAD** (millions)
Assets	**-**	**-**	1.8	0.2
Liabilities	**2.0**	**-**	8.2	1.0

As at December 31, 2018, the forward contracts rate is 1.366 in USD (December 31, 2017: between 1.156 and 1.374 in USD) and the maturity date is 2019 (December 31, 2017: 2018 to 2019). These financial instruments have a monthly settlement schedule.

Amounts recognized in the statement of financial position:

	2018	2017
	Fair value CAD (millions)	**Fair value CAD** (millions)
Total assets	**0.6**	3.5
Total liabilities	**5.3**	2.3

13. Materials

The materials balance includes the following:

(in millions of Canadian dollars)	2018	2017
Spare parts	**28.0**	25.5
Provision for obsolete inventory	**(3.1)**	(3.3)
Net spare parts	**24.9**	22.2
On-train products	**3.6**	3.0
Fuel	**0.3**	0.3
Total materials	**28.8**	25.5

The cost of materials recorded as an expense during the year amounted to $41.5 million, including an amount of $11.4 million that were transferred to property, plant and equipment (December 31, 2017: $39.8 million, including an amount of $11.1 million that were transferred to property, plant and equipment). The Corporation has recorded an expense of $0.2 million related to write-down of the value of its materials for 2018 (December 31, 2017: $0.3 million).

14. Asset Renewal Fund

The Corporation has been authorized by the Treasury Board of Canada Secretariat to set aside funds in a manner which ensures that these funds are retained for future capital projects. However, the Treasury Board of Canada Secretariat could approve the use of the Asset Renewal Fund to finance operating deficits.

The Treasury Board of Canada Secretariat has authorized the Corporation to use up to $3.1 million (December 31, 2017: $7.8 million) of the Asset Renewal Fund. This amount is presented in the current portion of the Asset Renewal Fund. The remaining balance of $0.9 million (December 31, 2017: $0.9 million) is presented in the non-current portion of the Asset Renewal Fund.

The Asset Renewal Fund is invested in an interest bearing account.

Liquidities in the Asset Renewal Fund are not considered to be cash for the purpose of the statement of cash flows since they can only be used for specific purposes and cannot serve in meeting regular operating commitments.

(in millions of Canadian dollars)	2018	2017
Balance, beginning of year	**8.7**	8.7
Less: Cash drawdown during the year *(Note 1)*	**(4.7)**	-
Balance, end of year	**4.0**	8.7

Note 1 – Authorized cash drawdowns were used to fund capital projects.

As at December 31, 2018, there is a $2.0 million of accounts payable which will be paid from the Asset Renewal Fund account in 2019 (December 31, 2017: $4.7 million).

15. Property, Plant and Equipment

(in millions of Canadian dollars)	January 1, 2018	Additions	Disposals	Transfers	December 31, 2018
Cost:					
Land	17.0	-	-	-	**17.0**
Rolling stock	942.4	-	(10.5)	16.6	**948.5**
Maintenance buildings	167.8	-	(5.2)	8.3	**170.9**
Stations and facilities	133.8	-	(1.8)	22.9	**154.9**
Owned infrastructures	269.5	-	(2.4)	22.9	**290.0**
Leasehold improvements	90.6	-	(2.6)	6.9	**94.9**
Machinery and equipment	26.0	-	(0.3)	2.9	**28.6**
Computer hardware	38.0	-	(3.4)	8.9	**43.5**
Other property, plant and equipment	7.2	-	-	0.8	**8.0**
Projects in progress	32.3	105.3	-	(90.2)	**47.4**
Total cost	1,724.6	105.3	(26.2)	-	**1,803.7**
Accumulated depreciation and impairment:					
Rolling stock	497.7	45.2	(6.7)	-	**536.2**
Maintenance buildings	112.8	2.1	(5.0)	-	**109.9**
Stations and facilities	46.0	5.5	(1.5)	-	**50.0**
Owned infrastructures	89.7	8.9	(2.1)	-	**96.5**
Leasehold improvements	47.7	4.2	(2.3)	-	**49.6**
Machinery and equipment	17.9	1.4	(0.2)	-	**19.1**
Computer hardware	26.4	5.0	(3.4)	-	**28.0**
Other property, plant and equipment	2.6	0.4	-	-	**3.0**
Total accumulated depreciation and impairment	840.8	72.7	(21.2)	-	**892.3**
Total carrying amount	883.8	32.6	(5.0)	-	**911.4**

15. Property, Plant and Equipment (cont'd)

(in millions of Canadian dollars)	January 1, 2017	Additions	Disposals	Transfers	December 31, 2017
Cost:					
Land	17.0	-	-	-	**17.0**
Rolling stock	935.2	-	(18.9)	26.1	**942.4**
Maintenance buildings	166.1	-	(8.4)	10.1	**167.8**
Stations and facilities	126.8	-	(1.4)	8.4	**133.8**
Owned infrastructures	255.8	-	(1.6)	15.3	**269.5**
Leasehold improvements	84.4	-	(2.7)	8.9	**90.6**
Machinery and equipment	25.1	-	(0.8)	1.7	**26.0**
Computer hardware	35.4	-	(1.7)	4.3	**38.0**
Other property, plant and equipment	6.6	-	-	0.6	**7.2**
Projects in progress	30.9	76.8	-	(75.4)	**32.3**
Total cost	1,683.3	76.8	(35.5)	-	**1,724.6**
Accumulated depreciation and impairment:					
Rolling stock	469.6	43.9	(15.8)	-	**497.7**
Maintenance buildings	119.3	1.8	(8.3)	-	**112.8**
Stations and facilities	42.5	4.8	(1.3)	-	**46.0**
Owned infrastructures	82.0	8.2	(0.5)	-	**89.7**
Leasehold improvements	46.6	3.5	(2.4)	-	**47.7**
Machinery and equipment	18.0	0.7	(0.8)	-	**17.9**
Computer hardware	23.9	4.2	(1.7)	-	**26.4**
Other property, plant and equipment	2.3	0.3	-	-	**2.6**
Total accumulated depreciation and impairment	804.2	67.4	(30.8)	-	**840.8**
Total carrying amount	879.1	9.4	(4.7)	-	**883.8**

Projects in progress primarily consist of rolling stock, improvements to infrastructure and stations. The project in progress amount includes $2.8 million (December 31, 2017 : no amount) of materials used in the refurbishing of rail cars.

The Corporation has revised and modified the useful lives of certain equipment to better align the depreciation expense with future benefits that will be obtained from these assets. The impact of these changes on the actual and expected depreciation expense and on the amortization of deferred capital funding is as follow:

(in millions of Canadian dollars)	2018	2019	2020	2021
Increase in depreciation expense	1.6	1.9	(2.3)	(1.2)
Increase in amortization of deferred capital funding	1.6	1.9	(2.3)	(1.2)

16. Intangible Assets

(in millions of Canadian dollars)	January 1, 2018	Additions	Disposals	Transfers	December 31, 2018
Cost:					
Software *(Note 1)*	114.0	-	(6.7)	10.0	**117.3**
Right of access to rail infrastructure	430.4	-	(0.5)	6.9	**436.8**
Other intangible assets	4.4	-	-	1.0	**5.4**
Projects in progress	3.5	18.5	-	(17.9)	**4.1**
Total cost	552.3	18.5	(7.2)	-	**563.6**
Accumulated amortization and impairment:					
Software	78.5	15.8	(6.5)	-	**87.8**
Right of access to rail infrastructure	102.3	11.3	(0.4)	-	**113.2**
Other intangible assets	2.0	0.4	-	-	**2.4**
Total accumulated amortization and impairment	182.8	27.5	(6.9)	-	**203.4**
Total carrying amount	369.5	(9.0)	(0.3)	-	**360.2**

Note 1 – Includes mostly software developed in-house.

(in millions of Canadian dollars)	January 1, 2017	Additions	Disposals	Transfers	December 31, 2017
Cost:					
Software *(Note 1)*	102.6	-	(6.2)	17.6	**114.0**
Right of access to rail infrastructure	426.5	-	-	3.9	**430.4**
Other intangible assets	4.4	-	-	-	**4.4**
Projects in progress	13.4	11.6	-	(21.5)	**3.5**
Total cost	546.9	11.6	(6.2)	-	**552.3**
Accumulated amortization and impairment:					
Software	71.1	12.7	(5.3)	-	**78.5**
Right of access to rail infrastructure	90.9	11.4	-	-	**102.3**
Other intangible assets	1.8	0.2	-	-	**2.0**
Total accumulated amortization and impairment	163.8	24.3	(5.3)	-	**182.8**
Total carrying amount	383.1	(12.7)	(0.9)	-	**369.5**

Note 1 – Includes mostly software developed in-house.

17. Advance on Contract

As at December 31, 2018, there is a $74.4 million of advance on contract that will be transferred to property, plant and equipment in the future years according to the progress of work.

18. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	**2018**	**2017**
Wages payable and accrued	**43.7**	40.7
Accounts payable and accruals – Trade	**115.1**	40.5
Accounts payable and accruals – Capital assets	**36.1**	23.1
Trade and other payables classified at Amortized cost	**194.9**	104.3
Capital tax, income tax and other taxes payable	**6.1**	5.8
Deductions at sources	**2.8**	3.7
Total trade and other payables	**203.8**	113.8

19. Provisions

The provisions balance includes the following:

(in millions of Canadian dollars)	**January 1, 2018**	**Charge (used)**	**Reversal (used)**	**Reversal (not used)**	**December 31, 2018**
Environmental costs	0.3	0.8	-	-	**1.1**
Litigation and equipment repairs *(Note a)*	8.6	5.9	(3.0)	(3.2)	**8.3**
Total provisions	8.9	6.7	(3.0)	(3.2)	**9.4**

a) Litigation and equipment repairs

The Corporation is subject to claims and legal proceedings brought against it in the normal course of business. The timing of settlement of these claims is to a large extent dependent on the pace of negotiation with the various counterparties and legal authorities. The Corporation cannot reliably estimate the timing of settlement of these claims.

Also, the Corporation incurs equipment repair costs as a result of crossing accidents and other incidents causing damages to the rolling stock. These equipment repair claims are mostly settled between 3 and 18 months from the date of initiation, depending on the settlement procedures used.

Such matters are subject to many uncertainties. Management believes that adequate provisions for litigation and equipment repairs have been made where required. The ultimate resolution of those matters is not expected to have a significant adverse effect on the financial position of the Corporation.

20. Deferred Revenues

Deferred revenues are comprised of the following:

(in millions of Canadian dollars)	2018	2017
Advance ticket sales	**20.3**	19.6
VIA Préférence	**11.1**	10.8
Non-monetary transactions	**1.7**	2.2
Gift cards	**1.7**	1.5
Other	**2.2**	0.5
Total deferred revenues	**37.0**	34.6

Advance ticket sales, which represent contract liabilities, relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Corporation performs the contract.

In the current reporting period, an amount of $19.6 million of revenue was recognized relates to advance ticket sales (December 31, 2017: $18.3 million). Management expects that 100% of the advance ticket sales will be recognized as revenue during the next reporting period.

In the current period, an amount of $8.8 million of revenue was recognized relating to VIA Préférence performance obligations that were satisfied in the current period and which was included in the deferred revenues balance at the beginning of the period (December 31, 2017: $15.5 million). Management expects that 70% of the VIA Préférence unsatisfied performance obligation will be recognized as revenue during the next reporting period.

In the current reporting period, an amount of $0.6 million of revenue was recognized relating to gift cards obligations that were satisfied in the current period and which was included in the deferred revenues balance at the beginning of the period (December 31, 2017: $0.6 million). Management expects that 37.0% of gift cards performance obligation will be recognized as revenue during the next period.

There were no significant changes in the contract liability balances during the reporting period.

21. Employee Benefits Assets and Liabilities

The Corporation provides a number of pension plans with defined benefits (funded) and defined contributions components. The Corporation also provides unfunded other post-employment benefits, including post-retirement medical and life insurance benefits, and long-term employee benefits such as unfunded self-insured workers' compensation benefits, long-term employee disability benefits and continuation of benefit coverage for employees on long-term disability.

Pension plans

The Corporation's pension plans are governed according to applicable federal legislations such as the *Pension Benefits Standards Act* and the *Income Tax Act*. The pension plans are under the jurisdiction of the Office of the Superintendent of Financial Institutions Canada.

Pension dispositions vary for a group of unionized employees hired on or after January 1, 2014, a group of unionized employees hired on or after January 1, 2015 and for non-unionized employees hired on or after January 1, 2018. A group of unionized employees hired on or after January 1, 2014 ceased accruing benefits under the current defined benefit plan as of June 18, 2015. Effective June 19, 2015, this group of unionized employees as well as the other group of unionized employees hired on or after January 1, 2015, were prospectively provided pension benefits from a hybrid pension plan. Non-unionized employees hired after January 1, 2018 are prospectively provided pension benefits from a defined contribution pension plan.

Employees entitled to defined benefits pension

Pension benefits are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement.

Benefits increase annually by 50 per cent of the increase in the Consumer Price Index in the 12 months ending in December subject to a maximum increase of 3 per cent in any year.

Participants contribute a fixed percentage of their earnings to the pension plan while the Corporation contributes the amount needed to maintain adequate funding as dictated by the prevailing regulation. The pension plans may be required to take measures to offset any funding and solvency deficit by changing the Corporation's and participants' contribution rate. Moreover, additional contributions by the Corporation may be required if these rules are not complied with. The Audit & Pension Investment Committee of the Board is responsible for the investment policy with regard to the assets of the fund.

Employees entitled to a hybrid pension plan

Employees are provided pension benefits in part from a reduced formula of the defined benefit component of the pension plan, and in part from a defined contribution component.

i) Defined benefit component

Pension benefits under the reduced formula are based on years of service and average salary of the employee's best five consecutive calendar years up to retirement. On each April 1, following the third anniversary of the retirement date, the participant's pension benefits will be indexed by 50 per cent of the increase in the Consumer Price Index subject to a maximum increase of 3 per cent, but only if the plan is in a surplus situation.

The contributions required to fund the defined benefit component of the plan are entirely paid for by the Corporation. The Corporation's contributions vary according to the financial situation of the plan, as determined by the plan's actuary and in accordance with regulatory requirements for pension plan funding.

The Audit & Pension Investment Committee of the Board is responsible for the investment policy with regard to the assets of the fund.

ii) Defined contribution component

Participants' contributions to the defined contribution component are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 50 per cent of participant's optional contributions.

The retirement income is based on the accumulation of funds in the individual retirement savings account of the defined contribution component of the plan.

Participants have control over the investment decisions and bear the investment risk.

Employees entitled to defined contributions pension

Participants' contributions to the defined contributions plan are mandatory and represent 4 per cent of their salary. Optional contributions to the defined contribution component can be made by the participants to a maximum of 3 per cent of their salary. The Corporation's contribution is equal to 100 per cent of participant's contributions.

The retirement income is based on the accumulation of funds in the individual retirement savings account of the defined contribution component of the plan.

Participants have control over the investment decisions and bear the investment risk.

Actuarial valuations

The actuarial valuations for these employee benefits, except for the defined contribution component of the pension plans, are carried out by external actuaries who are members of the Canadian Institute of Actuaries.

The actuarial valuations of the various employee benefit plans are as follows:

	Actuarial valuation	
Employee benefit plans:	**Latest valuation**	**Next valuation**
Pension plans	December 31, 2017	**December 31, 2018**
Supplemental Executive Retirement Plan	December 31, 2018	**December 31, 2019**
Supplemental Retirement Plan for management employees (SRP), with respect to active members	December 31, 2017	**December 31, 2018**
Supplemental Retirement Plan for management employees (SRP), with respect to retired members	December 31, 2018	**December 31, 2019**
Post-employment unfunded plan	May 1, 2016	**May 1, 2019**
Self-insured Workers' Compensation	December 31, 2015	**December 31, 2018**
Long-term employee benefits plans, other than "Self-insured Workers' Compensation"	December 31, 2018	**December 31, 2019**

21. Employee Benefits Assets and Liabilities (cont'd)

a) Defined benefit component of the pension plans and post-employment benefits plans

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

	Defined benefit component of the pension plans		Post-employment benefit plans	
(in millions of Canadian dollars)	**2018**	**2017**	**2018**	**2017**
DEFINED BENEFIT OBLIGATION:				
Balance, beginning of year	**2,409.0**	2,298.1	**23.8**	21.7
Service cost	**31.4**	27.9	**0.3**	0.3
Past service cost	**-**	(0.1)	**-**	-
Interest expense	**81.4**	86.3	**0.8**	0.8
Employee contributions	**14.3**	14.3	**-**	-
Benefits paid	**(135.1)**	(135.0)	**(0.8)**	(0.8)
Effect of change in demographic assumptions	**27.5**	(0.1)	**0.3**	-
Effect of change in financial assumptions	**(148.6)**	118.4	**(2.2)**	1.8
Effect of employee transfers	**2.8**	-	**-**	-
Effect of experience adjustments	**1.3**	(0.8)	**(0.1)**	-
Balance, end of year	**2,284.0**	2,409.0	**22.1**	23.8
FAIR VALUE OF PLAN ASSETS:				
Balance, beginning of year	**2,390.5**	2,267.2	**-**	-
Interest income	**79.7**	84.4	**-**	-
Return on plan assets (excluding interest income)	**(74.9)**	128.9	**-**	-
Employer contributions	**26.2**	33.4	**0.8**	0.8
Employee contributions	**14.3**	14.3	**-**	-
Benefits paid	**(135.1)**	(135.0)	**(0.8)**	(0.8)
Effect of employee transfers	**2.8**	-	**-**	-
Administration expenses	**(2.1)**	(2.7)	**-**	-
Balance, end of year	**2,301.4**	2,390.5	**-**	-
Net defined benefit liability (asset)	**(17.4)**	18.5	**22.1**	23.8

The percentages of the fair value of the defined benefit component of the pension plan assets by major category are as follows:

Assets categories (in percentages)	**2018**				**2017**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and short-term notes	0.5%	1.5%	-	**2.0%**	1.1%	0.2%	-	1.3%
Equity securities	19.4%	-	-	**19.4%**	20.5%	-	-	20.5%
Fixed income securities	-	24.1%	-	**24.1%**	-	23.8%	-	23.8%
Mutual fund units	8.5%	26.1%	19.9%	**54.5%**	5.8%	32.9%	15.7%	54.4%
	28.4%	**51.7%**	**19.9%**	**100.0%**	27.4%	56.9%	15.7%	100.0%

Expected employer contribution for the next year:

	Defined benefit component of the pension plans	**Post-employment benefit plans**
(in millions of Canadian dollars)	**2019**	**2019**
Expected employer contribution for the next year	**21.0**	**0.9**

The weighted average duration of the defined benefit obligation is 12.3 years (December 31, 2017: 12.8 years).

21. Employee Benefits Assets and Liabilities (cont'd)

	Defined benefit component of the pension plans		Post-employment benefit plans	
	2018	**2017**	**2018**	**2017**
WEIGHTED-AVERAGE OF SIGNIFICANT FINANCIAL ASSUMPTIONS:				
Defined benefit obligation:				
Discount rate	**3.90%**	3.40%	**4.00%**	3.40%
Rate of salary increase	**2.75% – 3.00%**	2.75% – 3.00%	**3.00%***	3.00%*
Initial weighted average health care trend rate	**-**	-	**5.90%**	5.70%
Ultimate weighted average health care trend rate	**-**	-	**4.00%**	4.30%
Year ultimate rate reached	**-**	-	**2040**	2029
Rate of price inflation	**2.00%**	2.00%	**-**	-
Rate of pension increase	**1.00%**	1.00%	**-**	-
Defined benefit cost:				
Discount rate	**3.40%**	3.80%	**3.40%**	3.90%
Rate of price inflation	**2.00%**	2.00%	**-**	-
Rate of salary increase	**2.75% – 3.00%**	2.75% – 3.00%	**3.00%***	3.00%*
Rate of pension increase	**1.00%**	1.00%	**-**	-
Initial weighted average health care trend rate	**-**	-	**5.70%**	5.80%
Ultimate weighted average health care trend rate	**-**	-	**4.30%**	4.30%
Year ultimate rate reached	**-**	-	**2029**	2029

* Applicable to executive employees only.

Significant demographic assumptions – Post-retirement mortality tables	
DEFINED BENEFIT OBLIGATION:	
Defined benefit component of the pension plans:	
2018	**2017**
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	110% of CPM2014Priv for unionized plan and 95% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.
Post-employment benefit plans:	
2018	**2017**
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	110% of CPM2014Priv for unionized plan and 95% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.
DEFINED BENEFIT COST:	
Defined benefit component of the pension plans:	
2018	**2017**
110% of CPM2014Priv for unionized plan and 95% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	110% of CPM2014Priv for unionized plan and 95% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.
Post-employment benefit plans:	
2018	**2017**
110% of CPM2014Priv for unionized plan and 95% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	110% of CPM2014Priv for unionized plan and 95% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.

21. Employee Benefits Assets and Liabilities (cont'd)

Risk associated with defined benefit plans

The major risk associated with the pension plans is the funding risk, which is the risk that the investment asset growth and the contributions to the pension plans will not be sufficient to cover the pension obligations, resulting in unfunded liabilities.

The funding risk is linked to the following risks: investment risk, interest rate risk, longevity risk, salary risk and inflation risk.

Investment risk: The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality Canadian corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Consequently, the Corporation has adopted a conservative investment policy which is overseen by the Audit & Pension Investment Committee of the Board.

Interest rate risk: A decrease in the bond interest rate will increase the plan liability; however, due to a liability alignment investment policy, this will be partially offset by an increase in value on the plan's investments in fixed income securities.

Longevity risk: The present value of the defined plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk: The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Inflation risk: A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Corporation's liability. A portion of the plan assets are in real returns bonds which will mitigate some of the effects of inflation.

Sensitivity analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumptions as those that could result in a significant impact on the defined benefit obligation:

	Defined benefit obligation Increase / (decrease)	
(in millions of Canadian dollars)	**2018**	**2017**
Defined benefit component of the pension plans:		
Inflation rates		
Increase of 25 basis points	**38.8**	42.1
Decrease of 25 basis points	**(38.2)**	(41.4)
Discount rates		
Increase of 25 basis points	**(68.4)**	(74.6)
Decrease of 25 basis points	**72.1**	78.9
Pensions-in-payment		
Increase of 25 basis points	**30.6**	33.1
Decrease of 25 basis points	**(29.9)**	(32.4)
Salary increase rates		
Increase of 25 basis points	**5.2**	5.7
Decrease of 25 basis points	**(5.6)**	(6.0)
Mortality tables		
1 year younger	**60.7**	66.9
1 year older	**(61.5)**	(67.4)
Post-employment benefits plans:		
Discount rates		
Increase of 25 basis points	**(0.8)**	(1.0)
Decrease of 25 basis points	**0.9**	1.0

In the sensitivity analysis presented above, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same method as the one applied in calculating the defined benefit obligation recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

21. Employee Benefits Assets and Liabilities (cont'd)

Asset-liability matching strategies

The Corporation reassesses the pension plans investment policy annually to take into account material changes in plan demographics, the investment environment, and the financial circumstances of the plans as well as changes in risk tolerance. Every few years or when significant changes in circumstances warrant it, the Corporation will conduct a more complete asset liability modelling exercise to determine an optimal investment policy asset mix.

The current asset mix, with its sizable allocation to fixed income securities and income based alternative investments, provides a significant amount of interest rate hedging compared to plan liabilities. This policy posture is expected to deliver a lower volatility of required funding while preserving ongoing funding costs at an acceptable level, when considering the plan maturity profile.

b) Defined contribution component of the pension plan

There was no significant expense for the defined contribution component of the pension plan for the year ended December 31, 2018. The employer contributions are not expected to be significant in 2019.

c) Long-term employee benefit plans

Based on these actuarial valuations and projections to December 31, the summary of the principal valuation results for the long-term employee benefits, including self-insured workers' compensation benefits is as follows:

(in millions of Canadian dollars)	**2018**	**2017**
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of year	**18.2**	18.5
Service cost	**3.3**	3.1
Interest expense	**0.6**	0.6
Benefits paid	**(4.2)**	(3.8)
Effect of change in demographic assumptions	**(0.6)**	(0.2)
Balance, end of year	**17.3**	18.2
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of year	**-**	-
Employer contributions	**4.2**	3.8
Benefits paid	**(4.2)**	(3.8)
Balance, end of year	**-**	-
Net long-term employee benefit liability	**17.3**	18.2

Expected employer contribution for the next year:

(in millions of Canadian dollars)	2019
Expected employer contribution for the next year	**4.7**

Weighted-average of significant assumptions

	2018	2017
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Discount rate	**3.60%**	3.20%
Rate of salary increase	**2.75% – 3.00%**	2.75% – 3.00%
Initial weighted average health care trend rate	**5.00%**	5.00%
Ultimate weighted average health care trend rate	**4.00%**	3.80%
Year ultimate rate reached	**2040**	2029
Rate of price inflation	**2.00%**	2.00%
Mortality tables	Ontario WSIB Workers' compensation 2006-2010 mortality table projected to 2015 for workers' compensation and 2009 CIA study for Other employment benefits	Ontario WSIB Workers' compensation 2006-2010 mortality table projected to 2015 for workers' compensation and 2009 CIA study for Other employment benefits
LONG-TERM EMPLOYEE BENEFIT COST:		
Discount rate	**3.20%**	3.40%
Rate of salary increase	**2.75% – 3.00%**	2.75% – 3.00%
Initial weighted average health care trend rate	**5.00%**	5.10%
Ultimate weighted average health care trend rate	**3.80%**	3.80%
Year ultimate rate reached	**2029**	2029
Rate of price inflation	**2.00%**	2.00%
Mortality tables	Ontario WSIB Workers' compensation 2006-2010 mortality table projected to 2015 for workers' compensation and 2009 CIA study for Other employment benefits	Ontario WSIB Workers' compensation 2006-2010 mortality table projected to 2015 for workers' compensation and 2009 CIA study for Other employment benefits

21. Employee Benefits Assets and Liabilities (cont'd)

Sensitivity analysis

The Corporation has reviewed the assumptions used in the actuarial calculations and has identified the following assumption that could result in a significant impact on the long-term employee benefit obligation:

	Long-term employee benefit obligation Increase / (decrease)	
(in millions of Canadian dollars)	**2018**	**2017**
Discount rates		
Increase of 25 basis points	**(0.3)**	(0.3)
Decrease of 25 basis points	**0.3**	0.3

d) Other long-term employee benefits

Other long-term employee benefits include work security benefits administered by various union agreements. These benefits are calculated on an event driven basis and represent management's best estimates of the present value of all future projected payments to unionized employees. The change in the other long-term employee benefit obligation is explained as follows:

(in millions of Canadian dollars)	**2018**	**2017**
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of year	**0.5**	0.6
Service cost	**0.3**	0.4
Benefits paid	**(0.4)**	(0.5)
Balance, end of year	**0.4**	0.5
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of year	**-**	-
Employer contributions	**0.4**	0.5
Benefits paid	**(0.4)**	(0.5)
Balance, end of year	**-**	-
Net other long-term employee benefit liability	**0.4**	0.5

e) Summary of pension plans, post-employment benefit plans and long-term employee benefit plans recognized in the financial statements

Total amounts recognized in the statement of financial position:

(in millions of Canadian dollars)	2018	2017
Assets:		
Defined benefit component of the pension plans	**17.6**	4.6
Liabilities:		
Defined benefit component of the pension plans	**0.2**	23.1
Post-employment benefit plans	**22.1**	23.8
Long-term employee benefit plans	**17.3**	18.2
Other long-term employee benefits	**0.4**	0.5
Total employee benefits liabilities	**40.0**	65.6

Total amounts recognized in the statement of comprehensive income:

(in millions of Canadian dollars)	2018	2017
Operating expense:		
Defined benefit component of the pension plans	**35.2**	32.4
Post-employment benefit plans	**1.1**	1.1
Long-term employee benefit plans	**3.3**	3.5
Other long-term employee benefits	**0.3**	0.4
Total	**39.9**	37.4

These operating expenses are included in the "Compensation and employee benefits" line item of the statement of comprehensive income.

(in millions of Canadian dollars)	2018	2017
Other comprehensive income (loss):		
Defined benefit component of the pension plans	**44.9**	11.4
Post-employment benefit plans	**2.0**	(1.8)
Total	**46.9**	9.6

22. Income Taxes

The income tax expense consists of the following:

(in millions of Canadian dollars)	2018	2017
Current income tax expense	-	0.2
Income tax expense	-	0.2

The overall income tax expense for the year differs from the amount that would be computed by applying the combined Federal and provincial statutory income tax rates of 24.56 per cent (December 31, 2017: 24.46 per cent) to income before taxes. The reasons for the differences are as follows:

(in millions of Canadian dollars)	2018	2017
Net income before income taxes	**(19.0)**	13.1
Computed income tax (recovery) expense – statutory rates	**(4.7)**	3.2
Ontario Corporate minimum tax	-	0.2
Non-deductible accounting expenses and other	**0.1**	0.1
Effect of unrecognized tax attributes	**4.8**	(3.9)
Effect of tax rate changes on deferred income taxes	**(0.2)**	0.6
Income tax expense	-	0.2

Deferred income tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the deferred income tax assets and (liabilities) are as follows:

Deferred income tax balances December 31, 2018 (in millions of Canadian dollars)	Opening Balance	Recognized in net income	Closing Balance
Deferred income tax assets (liabilities):			
Unrealized gain on derivative financial instruments	(0.8)	0.7	**(0.1)**
Employee benefits assets	(1.1)	(3.2)	**(4.3)**
Total deferred income tax liabilities	(1.9)	(2.5)	**(4.4)**
Losses carried forward	1.9	2.5	**4.4**
Deferred income tax assets (liabilities)	-	-	**-**

Deferred income tax balances December 31, 2017 (in millions of Canadian dollars)	Opening Balance	Recognized in net income	Closing Balance
Deferred income tax assets (liabilities):			
Unrealized gain on derivative financial instruments	(0.6)	(0.2)	**(0.8)**
Employee benefits assets	(1.0)	(0.1)	**(1.1)**
Total deferred income tax liabilities	(1.6)	(0.3)	**(1.9)**
Losses carried forward	1.6	0.3	**1.9**
Deferred income tax assets (liabilities)	-	-	**-**

The Corporation has $51.0 million (December 31, 2017: $48.1 million) of unused Federal and other provinces and $53.4 million (December 31, 2017: $50.6 million) of unused Québec non-capital tax losses carried forward. These losses expire between 2029 and 2038.

The Corporation has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. Unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributed to the following:

(in millions of Canadian dollars)	**2018**	**2017**
Federal and other provinces:		
Property, plant and equipment and intangible assets	**92.4**	87.3
Provisions and other liabilities	**37.1**	14.2
Employee benefits liabilities	**39.6**	65.1
Losses carried forward	**32.7**	40.0
	201.8	206.6
Québec:		
Property, plant and equipment and intangible assets	**474.1**	468.9
Provisions and other liabilities	**15.9**	12.6
Employee benefits liabilities	**39.6**	65.1
Losses carried forward	**35.2**	42.6
	564.8	589.2

23. Deferred Capital Funding

Deferred capital funding represents the unamortized portion of the funding used to purchase property, plant and equipment and intangible assets.

(in millions of Canadian dollars)	**2018**	**2017**
Balance, beginning of year	**1,239.5**	1,247.2
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**121.8**	88.4
Amortization of deferred capital funding	**(104.3)**	(96.1)
Balance, end of year	**1,257.0**	**1,239.5**

The amount of capital funding received during the year represents the amount of Government of Canada funding invoiced for the acquisition of property, plant and equipment and intangible assets for $121.8 million (December 31, 2017: $88.4 million) less the variance of the amount of capital funding receivable from the Government of Canada of ($13.1) million (December 31, 2017: ($8.4) million) and totaled of $108.7 million for the year (December 31, 2017: $80.0 million). Refer to Note 10.

24. Share Capital

The authorized share capital of the Corporation is comprised of an unlimited number of common shares with no par value. For all years presented, 93,000 shares at $100 per share are issued and fully paid.

The Corporation defines its capital as share capital and accumulated deficit and is regulated by the *Financial Administration Act*. The Corporation is not allowed to modify its capital structure without Government approval. The Corporation must obtain Government approval to issue debt instruments. Accordingly, the Corporation does not have access to external financing and does not have a flexible capital structure.

The Corporation manages its equity by prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure that the Corporation effectively achieves its objectives and purpose while remaining a going concern. The Corporation did not change the way it manages its equity in the current year.

25. Net Change in Non-Cash Working Capital Items

(in millions of Canadian dollars)	**2018**	**2017**
Trade and other receivables *(Note 32)*	**12.6**	(6.1)
Other current assets	**(2.0)**	(1.1)
Materials	**(3.3)**	(1.4)
Trade and other payables	**2.6**	9.7
Provisions	**0.5**	(4.6)
Deferred revenues	**2.3**	(4.9)
Total	**12.7**	(8.4)

The change in trade and other receivables excludes an amount of ($13.1) million (December 31, 2017: ($8.4) million) in relation to government funding for capital expenditures, as the amount relates to investing activities.

The change in trade and other payables excludes an amount of $13.0 million (December 31, 2017: $1.7 million) in relation to the acquisition of property, plant and equipment and intangible assets and an amount of $74.4 million in relation to an advance on contract, as these amounts relate to investing activities.

26. Fair Value of Financial Instruments

Fair value

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

The following table summarizes the financial assets and financial liabilities held by the Corporation measured at fair value at the end of each reporting period. The table also discloses information about how the fair value of these financial assets and financial liabilities are determined and their fair value hierarchy:

Financial assets / Financial liabilities	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship unobservable inputs to fair value
Derivative financial instruments – commodity swaps	Level 2	Discounted cash flow. Future cash flows are estimated based on commodity swap price (from observable commodity market price at the end of the reporting period) and contract commodity swap price, discounted at a market rate that reflects the credit risk of various counterparties.	N/A	N/A
Derivative financial instruments – forward foreign exchange contracts	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rate at the end of the reporting period) and forward contract rates, discounted at a market rate that reflects the credit risk of various counterparties	N/A	N/A

There have been no significant transfers between level 1 and level 2 during the year.

There has been no change in the valuation techniques from the prior year.

27. Financial Risks

a) Risk management

As part of its operations, the Corporation enters into transactions with financial risks exposure such as credit, liquidity and market risks. Exposure to such risks is significantly reduced through close monitoring and strategies that include the use of derivative financial instruments.

Derivative financial instruments such as swaps and certain forward foreign exchange contracts are utilized by the Corporation in the management of its exposure to changes in fuel prices and the value of the U.S. dollar. Commodity swaps are used to manage its exposure to fuel prices on the entirety of its fuel consumption.

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.

b) Foreign exchange risk

The Corporation is exposed to foreign exchange risks on the following balances that are denominated in U.S. dollars (USD):

(in millions of Canadian dollars)	**2018**	**2017**
Assets:		
Cash	**0.8**	0.1
Trade and other receivables	**0.5**	0.7
Derivative financial instruments	**-**	0.4
Liabilities:		
Trade and other payables	**4.1**	4.0
Derivative financial instruments	**0.4**	2.3

The Corporation's risk management objective is to reduce cash flow risk related to foreign denominated cash flows. To help manage this risk, the Corporation has entered into forward foreign exchange contracts related to commodity swaps.

A variance of 5 per cent in the exchange rate of USD would not have a significant impact on the Corporation's net income.

c) Credit risk

Credit risk is the risk that one party to a financial instrument might not meet its obligations under the terms and conditions of the agreement. The carrying amount of financial assets is $27.4 million (December 31, 2017: $25.1 million) and represents the Corporation's maximum exposure to credit risk. The Corporation does not use credit derivatives or similar instruments to mitigate this risk and, as such, the maximum exposure is the full carrying value or face value of its financial assets. The Corporation minimizes credit risk on cash, the Asset Renewal Fund and derivative financial instruments by dealing only with reputable and high-quality financial institutions. The Corporation's exposure to credit risks on trade accounts receivable is reduced by applying a credit policy that establishes limits on the concentration of risk, requires assessing and monitoring of counterparty credit risk and sets credit limits. Only Canadian Government departments and agencies, Crown corporations issuing government travel warrants and travel agents who are members of the International Air Transport Association (Billing and Settlement Plan /Airline Reporting Corporation) are exempt from the Corporation's credit approval process.

As at December 31, 2018, approximately 7.2 per cent (December 31, 2017: 6.2 per cent) of trade accounts receivable were over 90 days past due, while approximately 77.8 per cent (December 31, 2017: 82.6 per cent) of trade accounts receivable were current (under 30 days).

As at December 31, 2018, the loss allowance was $0.1 million (December 31, 2017 : $0.1 million). The loss allowance is a forward-looking expected credit loss model based on past default experience of the debtor, adjusted as appropriated to reflect current conditions and estimates of future economic conditions.

d) Fuel price risk

In order to manage its exposure to changes in fuel prices and minimize volatility in operating cash flows, the Corporation enters into derivative contracts with financial intermediaries based on the price of a commodity (i.e. heating oil) or a market index. A fluctuation of 5 per cent in the USD price of heating oil or fuel would not have a significant impact on the financial statements.

e) Liquidity risk

The Corporation manages its liquidity risk by preparing and monitoring detailed forecasts of cash flows from operations and anticipated investing and funding activities. The liquidity risk is low since the Corporation does not have debt instruments to service and receives regular funding from the Government of Canada.

The reported financial liabilities below totaling $200.2 million (December 31, 2017: $106.6 million) represent the maximum liquidity risk exposure for the Corporation.

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2018:

(in millions of Canadian dollars)	**Less than 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Trade and other payables	194.9	-	-	-	-	**194.9**
Derivative financial liabilities	0.8	0.9	1.6	2.0	-	**5.3**
Total	195.7	0.9	1.6	2.0	-	**200.2**

The following table summarizes the contractual maturities for the derivative and non-derivative financial liabilities, on a gross and undiscounted basis, as at December 31, 2017:

(in millions of Canadian dollars)	**Less than 3 months**	**3 to 6 months**	**6 months to 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Trade and other payables	104.3	-	-	-	-	**104.3**
Derivative financial liabilities	0.5	0.5	1.0	0.3	-	**2.3**
Total	104.8	0.5	1.0	0.3	-	**106.6**

f) Interest rate risk

Interest rate risk is defined as the Corporation's exposure to a loss of earnings or a loss in the value of its financial instruments as a result of fluctuations in interest rates. As at December 31, 2018 and December 31, 2017, there was no exposure to interest rate risk as all the Corporation's liquidity were invested in cash accounts.

28. Commitments

The following table presents the contractual commitments of the Corporation that are not included in the statement of financial position:

	2018				2017
(in millions of Canadian dollars)	**Total commitments**	**Less than one year**	**From one to five years**	**More than five years**	**Total commitments**
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable operating leases: Lessee *(Note a)*	**20.4**	3.7	15.4	1.3	24.0
Technical service *(Note b)*	**356.1**	-	8.1	348.0	-
Total	**376.5**	3.7	23.5	349.3	24.0
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rolling stock *(Note b)*	**1,019.3**	90.5	810.2	118.6	5.2
Maintenance buildings	**1.9**	1.9	-	-	0.7
Stations and facilities	**8.2**	5.8	2.4	-	2.4
Owned infrastructures	**11.1**	10.9	0.2	-	4.5
Computer hardware	**0.4**	0.4	-	-	0.7
Total	**1,040.9**	109.5	812.8	118.6	13.5
Total commitments	**1,417.4**	113.2	836.3	467.9	37.5

a) The Corporation has operating leases in place mainly for facilities and office spaces. The most important lease is a non-cancellable lease for the corporate headquarters in Montréal with a terms of 10 years with a renewal option. The lease payments are increased to reflect normal inflation.

In 2018, an amount of $13.7 million (December 31, 2017: $16.5 million) was recognized as an expense related to facilities operating leases.

b) During the year, the Corporation signed an agreement to replace our current fleet in the Québec City – Windsor Corridor and the technical support on these cars.

c) As mentioned in Note 1, the Corporation has entered into train service agreements for the use of tracks and the control of train operations. No amounts are included in the table above regarding those contracts since the amount of the commitments is dependent on the annual usage of the tracks.

d) The Corporation has provided letters of credit from a financial institution totalling approximately $22.2 million (December 31, 2017: $22.8 million) to various provincial government workers' compensation boards as security for future payment streams.

29. Related Party Transactions

a) Government of Canada, its agencies and other Crown corporations

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business on trade terms similar to those applied to other individuals and enterprises and these transactions are recorded at fair value. Other than disclosed elsewhere in these financial statements, related party transactions are not significant.

b) Key management personnel

The remuneration of key executives with the exception of the President and Chief Executive Officer, is determined by the Human Resources Committee having regard to the performance of individuals and market trends. The Human Resources Committee recommendation is then presented and approved by the Board of Directors. The remuneration of the President and Chief Executive Officer is determined by the Governor in Council.

The Corporation's key executives have been defined as the executive staff members that are members of the Corporate Management Committee and the members of the Board of Directors.

The compensation of the key executives of the Corporation is as follows:

(in millions of Canadian dollars)	**2018**	**2017**
Compensation and short-term employee benefits	**3.5**	3.9
Post-employment benefits	**1.0**	1.0
Total	**4.5**	4.9

The Corporation may enter into transactions with corporations who employ close family members of key management personnel or Directors of the Board. These transactions are made in the normal course of business and are recorded at fair value. These transactions are not significant for the years ended December 31, 2018 and December 31, 2017.

c) Transactions with post-employment benefits plans

Transactions with the Corporation's post-employment benefits plans are conducted in the normal course of business. The transactions with the Corporation's post-employment benefit plans consist of contributions as determined by actuarial valuations, as disclosed in Note 21. There were no other significant transactions during the year.

30. Non-Monetary Transactions

The Corporation recorded revenue from non-monetary transactions of approximately $2.0 million for the year ended December 31, 2018 (December 31, 2017: $2.6 million) under "Passenger revenues" in the statement of comprehensive income. The Corporation also recorded expenses from non-monetary transactions of approximately $1.8 million (December 31, 2017: $2.8 million) mainly under "Marketing and sales" in the statement of comprehensive income. The nature of non-monetary transactions is mainly related to advertising activities.

31. Contingencies

a) Environment

The Corporation's operations are subject to numerous federal, provincial, and municipal environmental laws and regulations concerning among other things, the management of air emissions, wastewater, hazardous materials, wastes and soil contamination as well as the management and decommissioning of underground and aboveground storage tanks. A risk of environmental liability is inherent in railroad and related transportation operations, real estate ownership and other activities of the Corporation with respect to both current and past operations.

The Corporation has performed a review of all of its operations and of all of its sites and facilities at risk in order to determine the potential environmental risks. The sites and the facilities for which environmental risks were identified were or will be the subject of thorough studies and corrective actions were or will be taken if necessary in order to eliminate or to mitigate these risks. The continuous risk management process that is in place allows the Corporation to monitor its activities and properties under normal operating conditions as well as monitor accidents that occur. The properties likely to be contaminated or the activities or property, plant and equipment likely to cause a contamination are addressed, at the moment of their observation, by the development of an action plan according to the nature and the importance of the impact and the applicable requirements.

When remediation costs can be reasonably estimated, a provision is recorded based on the anticipated future costs (refer to Note 19).

However, the Corporation's ongoing efforts to identify potential environmental concerns that may be associated with its properties may lead to future environmental investigations, which may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws and containing or remediating contamination cannot be reasonably estimated due to:

i) the lack of specific technical information available with respect to many sites;

ii) the absence of any third-party claims with respect to particular sites;

iii) the uncertainty regarding the ability to recover costs from any third parties with respect to particular sites;

iv) the fact that the environmental responsibility has not been clearly attributed.

There can thus be no assurance that material liabilities or costs related to environmental matters will not be incurred in the future, or will not have a material adverse effect on the Corporation's financial position.

b) Asset retirement

The Corporation has entered into certain operating leases where the lessor has the option of requesting that the land/structures or the other assets be returned in the same condition as they were originally leased, or of retaking control of these assets without any compensation to the Corporation for any additions or modifications made to the initial assets. Given the nature of the assets under contract and the options available to the lessor, the asset retirement obligation cannot be reasonably estimated. No liability has been recognized in the financial statements.

32. Reclassification

In order to improve disclosure in the financial statements, the Corporation has changed the following comparative figures.

In the statement of cash flows, the Corporation has merged two different lines from the investing activities section into one line. The lines "Change in capital funding receivable from the Government of Canada" (December 31, 2017: ($8.4) million) and the line "Capital funding" (December 31, 2017: $88.4 million) are now presented on one single line, "Government funding related to acquisition of property, plant and equipment and intangible assets received" for an amount of $80.0 million for year ended December 31, 2017 to reflect the funding received for the acquisition of property, plant and equipment and intangible assets.

The Corporation is now presenting the line "Depreciation and amortization" on two different lines: "Depreciation of property, plant and equipment" (December 31, 2017: 67.4 million) and "Amortization of intangible assets" (December 31, 2017: 24.3 million) in the statement of comprehensive income as well as in the statement of cash flows. The line "Loss on disposal of property, plant and equipment and intangible assets" is also presented in two separated lines: "Loss on disposal of property, plant and equipment" (December 31, 2017: 4.7 million) and "Loss on disposal of intangible assets" (December 31, 2017: 0.9 million) in the statement of comprehensive income as well as in the statement of cash flows.

The Corporation has merged the amount receivable from the Government of Canada with the trade and other receivables in the statement of financial position due to the nature of this amount.

The Corporation has modified the presentation of the operating loss before funding from the Government of Canada and income taxes and the income tax expense in the statement of comprehensive income. An operating loss before funding from the Government of Canada and income taxes is now presented with parenthesis. An income tax expense is now presented without parenthesis and an income tax recovery is presented with parenthesis.

The Corporation has chosen to change the presentation of the fair value of the defined benefit component of the pension plan assets in the Note 21. To improve the disclosure, the Corporation now presents the pension plan assets according to the level of fair value hierarchy as defined in Note 26.

Corporate Directory

Chairperson of the Board of Directors

Françoise Bertrand
Montréal, Québec

Board Members

Yves Desjardins-Siciliano
Montréal, Québec

Kathy Baig
Laval, Québec

Daniel Gallivan
Halifax, Nova Scotia

Jonathan Goldbloom
Montréal, Québec

Ramona Materi
Vancouver, British Columbia

Jane Mowat
Toronto, Ontario

Glenn Rainbird
Belleville, Ontario

Gail Stephens
Victoria, British Columbia

Kenneth Tan
Richmond, British Columbia

Geneviève Tanguay
Montréal, Québec

Corporate Secretary

Gabrielle Caron

Senior Leadership Team

Yves Desjardins-Siciliano
President and Chief Executive Officer

Marc Beaulieu
Chief Transportation and Safety Officer

Linda Bergeron
Chief Human Resources Officer

Mario Bergeron
Chief Mechanical and Maintenance Officer

Ann Bouthillier
Chief Communications Officer

Sonia Corriveau
Chief Business Transformation Officer

Patricia Jasmin
Chief Financial Officer

Martin R. Landry
Chief Commercial Officer

Jean-François Legault
Chief Legal & Risk Officer

Robert St-Jean
Chief Asset Management Officer

VIA Office Locations

Headquarters and Québec
3 Place Ville Marie
Suite 500
Montréal, Québec
H3B 2C9
514 871-6000

895 de la Gauchetiere West
Montréal, Québec
H3B 4G1
514 989-2626

Atlantic
1161 Hollis Street
Halifax, Nova Scotia
B3H 2P6
902 494-7900

Ontario
40 Elgin, 4th floor
Ottawa, Ontario
K1P 1C7
613 907-8353

123 Front Street West
Suite 1500
Toronto, Ontario
M5J 2M3
416 956-7600

West
146-123 Main Street
Winnipeg, Manitoba
R3C 1A3
204 949-7483

1150 Station Street
Vancouver, British Columbia
V6A 4C7
604 640-3700

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Senior Leadership Team Biographies

Yves Desjardins-Siciliano
President and Chief Executive Officer

President and Chief Executive Officer Mr. Desjardins-Siciliano joined VIA Rail in 2010 and was appointed President and CEO in May 2014. Prior to his appointment, he was the Corporation's Chief Corporate & Legal Officer and Corporate Secretary. A seasoned executive, Mr. Desjardins-Siciliano leads with passion, respect and transparency. He is known for embracing innovation and encouraging creative ideas. A natural communicator, he is in high demand as a keynote speaker at conferences, business events and universities. He prides himself on being an accessible CEO, and values every opportunity to meet and converse with both travellers and employees. Prior to Via Rail, Mr. Desjardins-Siciliano held several senior positions in legal, regulatory and government relations, business and corporate development, marketing communications and finance.

In Montréal and Toronto, he worked for private and publicly held companies, in the information technology, telecommunications, marketing and entertainment industries. Past President of the Canadian Bar Association, Québec Division, Mr. Desjardins-Siciliano was also Chief of Staff to the federal Minister of Labour and Minister of State for Transport. Mr. Desjardins-Siciliano holds a law Degree (LL.L.) from *l'Université de Montréal* and he completed Graduate Studies in Law (GSD) at McGill University. He also has a designation from the Institute of Corporate Directors (ICD.D) and is a member of the *Barreau du Québec*. In 2016, Mr. Desjardins-Siciliano received the Business Achievement Award from the Québec General Counsel Awards, presented by ZSA Legal Recruitment. He was rewarded for his achievement in developing and implementing the business strategy that has led to VIA Rail's success since his appointment as President and CEO.

His customer-focused vision has persuaded more travellers to come onboard, expanding the company's client base and boosting its revenue for the first time in many years. He was also honoured by Women and Board in the CEO category for his outstanding contributions to advancing the role of women in corporate governance as the President and CEO of VIA Rail. Mr. Desjardins-Siciliano was appointed Honorary Lieutenant-Colonel of the *Régiment de Maisonneuve* in November 2016.

Marc Beaulieu
Chief Transportation and Safety Officer

Mr. Beaulieu joined VIA Rail from Canadian National in 1985. As Chief Transportation and Safety Officer, he is responsible for all network operations, transportation and operational safety, and corporate security. Mr. Beaulieu is also responsible for the *Ocean*, and *Canadian* and Remote services along with VIA Rail's Customer Centres. His mandate is to ensure the safe and efficient operation of VIA Rail's trains. To that end, his responsibilities include oversight of locomotive crews, network operations staff, and safety and security professionals.

In the course of his career with VIA Rail, Mr. Beaulieu has held a number of increasingly senior management positions including Director Maintenance, Regional Director, Chief Mechanical Officer, Chief Transportation and Regional General Manager.

With his extensive experience at all levels of the organization, Mr. Beaulieu brings comprehensive knowledge, acquired expertise and a strong vision to VIA Rail.

Linda Bergeron
Chief Human Resources Officer

Ms. Bergeron joined VIA Rail in 2016. As Chief, Human Resources, she is responsible for employee relations, global compensation, consulting services and organizational development, talent acquisition, and training and development. Her mandate is to develop a human resources management strategy that facilitates and supports the realization of our business strategy and achievement of corporate objectives.

Ms. Bergeron has more than 30 years of experience in human resources, and spent several years in the transport sector as Vice President, Human Resources and Development for Nova-bus, a division of Volvo, as Senior Vice President, Strategy and Orientation for Rail Cantech, and as National Director H.R. for GE Aircraft Engines. Her career path demonstrates a strong expertise in improving organizational efficiency and talent management in national and multinational corporations, including time at the Crown corporation Hydro-Québec.

Ms. Bergeron has a Bachelor's Degree in industrial relations from *l'Université de Montréal* and a specialization in Organizational Development from the National Training Laboratory.

Mario Bergeron
Chief Mechanical and Maintenance Officer

Mr. Bergeron joined VIA Rail in 2017. As Chief Mechanical and Maintenance Officer, he is responsible for the maintenance and performance of VIA Rail's car and locomotive fleet. His mandate is to optimize the processes and work methods of the maintenance teams to ensure reliability of the rolling stock. He is responsible for mechanical services, maintenance of our equipment, technical and engineering services, as well as our apprenticeship program. VIA Rail's main maintenance centres are located in Montréal, Toronto, Winnipeg and Vancouver.

Prior to joining VIA Rail, Mr. Bergeron served as the Vice President and Chief Mechanical Officer at Amtrak in the United States. He is an operations executive with over 30 years of experience in the railway industry, and has also held several senior leadership positions at CP Rail in Alberta and Québec.

Mr. Bergeron received his Bachelor's degree in Industrial Engineering from the *École Polytechnique de Montréal*, holds a Diploma in Management from McGill University and Management Development Program from Darden School of Business, UVA.

Ann Bouthillier
Chief Communications Officer

Ms. Bouthillier joined VIA Rail in 2017. As Chief Communications Officer, she oversees all activities related to communications (internal and external), advertising, strategic partnerships and sponsorships, brand management, customer relationship management and the VIA Preference loyalty program, customer relations and marketing research as well as the associated analytics for VIA Rail.

With over 25 years of experience in management and communications, Ms. Bouthillier is a seasoned, results-driven business leader. Previously, she was CEO for Havas Worldwide Canada Operations where, as a result of her strong leadership and holistic approach to communications, she was an industry leader in implementing digital and CRM services at Havas as part of her integrated vision.

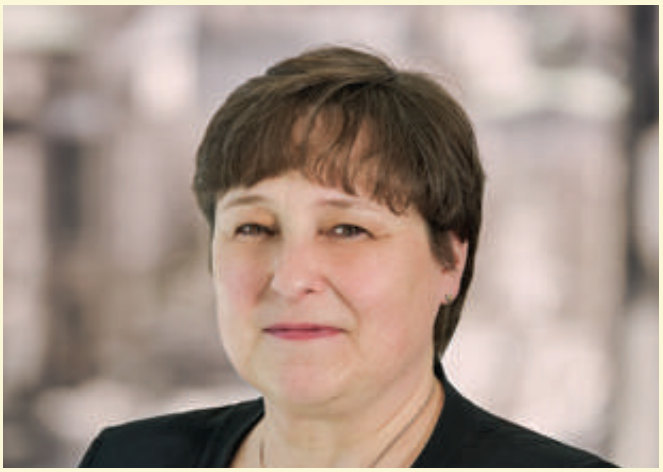
Ms. Bouthillier holds a Bachelor of Business Administration and Masters of Management Sciences in Marketing from HEC Montréal. Ms. Bouthillier sits on the Board of Directors of the CHU Sainte-Justine Foundation. She also served as Chairman of the Association of Advertising Agencies in Québec (AAPQ) from 2012 to 2014.

Sonia Corriveau
Chief Business Transformation Officer

Ms. Corriveau joined VIA Rail in 2014. As Chief Business Transformation Officer, she is responsible for the re-engineering of VIA Rail's business processes. She oversees the transformation and modernization of both internal and customer-facing business improvements. Her responsibilities include the Information Technology group, the Corporate Project Management Office as well as the Corporate Architecture and Innovation team. She led the development of the High-Frequency Rail proposal.

Before joining VIA Rail, she held the positions of Vice President, IBM Global Business Services and President, LGS Group. Throughout her 25 year career with IBM, she successfully managed complex organizational and operational changes to support business growth. She had several executive positions leading various business units across Canada. Her experience includes all aspects of Information technology, especially in consulting services, systems integration and management services for applications and infrastructures. She has collaborated over the years with several clients in various industries and teams to develop and implement valuable solutions.

Ms. Corriveau holds an MBA from *l'Université du Québec à Montréal* and a Bachelor's Degree in Business Computing from *Université de Sherbrooke*.



Patricia Jasmin
Chief Financial Officer

Ms. Jasmin joined VIA Rail in 2007 and served as the Corporate Comptroller prior to her appointment as Chief Financial Officer. As Chief Financial Officer she is responsible for financial administration, internal and external financial reports, budgets and controls, internal and external audits, corporate purchasing, and pension investment management. Ms. Jasmin is a key contributor to the corporate planning process. Her mandate is to ensure the integrity and accuracy of our financial processes, results and reports. Ms. Jasmin closely works with the Corporation's internal and external auditors and supports the Board of Directors' Audit and Finance Committee.

Before joining the Corporation, Ms. Jasmin worked for large retail organizations such as Costco and Loblaw Companies Ltd., and in the telecommunications sector with Rogers and Téléglobe. Through her extensive experience in finance and administration, Ms. Jasmin brings a unique expertise and vision in terms of financial management, continued improvement, and governance to VIA Rail.

Ms. Jasmin has a Bachelor's Degree in Business Administration from HEC (*Université de Montréal*) and is a member of the Canadian Institute of Chartered Accountants holding the CPA, CA designation.

Martin R. Landry
Chief Commercial Officer

Mr. Landry joined VIA Rail in 2014. As Chief Commercial Officer, he oversees all employees and activities related to customer service in stations and on board trains in the VIA Rail Corridor (Ontario and Québec). Mr. Landry also oversees all activities related to B2B sales, commercial planning, product design, new product development, business development, as well as analytics for VIA Rail. He led the development of the Québec City – Windsor corridor fleet renewal proposal.

Mr. Landry is a seasoned business executive with more than 35 years of experience, of which 30 were with IBM where he led many business units in both North America and Europe.

He is a graduate of the University of Ottawa with an Honours Degree in Finance.

Jean-François Legault
Chief Legal & Risk Officer

Mr. Legault joined VIA Rail in 2014. As Chief Legal & Risk Officer, he is responsible for the Corporation's governance, secretariat, and all legal matters related to VIA Rail's operations. He also oversees the management of its rail safety compliance as well as the implementation of its enterprise risk management and insurance claims program.

Prior to joining VIA Rail, Mr. Legault practiced law for several years in Montréal and held a number of senior leadership roles in the corporate legal sphere, including serving as Vice-President, Legal Affairs at Bell Canada and Gildan Activewear, and as General Counsel and Corporate Secretary at Transat. He possesses a wide range of experience with respect to corporate legal services and management of compliance, including governance, litigation management, contracts, acquisitions and divestitures, with particular expertise in the provision of legal advice aligned to corporate strategies and objectives.

Mr. Legault obtained his law Degree (LL.B) at the University of Ottawa, and is a member of the *Barreau du Québec*.

Robert St-Jean, CPA, CA

Chief Asset Management Officer

Mr. St-Jean joined VIA Rail in 2006 and served as the Chief Financial and Administration Officer prior to his appointment as Chief Asset Management Officer. As Chief Asset Management Officer, his mandate is to maximize return on assets, improve the customer experience, and reduce operating costs. He is responsible for the acquisition, management, development, monetization and renewal of all of VIA Rail's tangible assets, such as rolling stock, track infrastructure, stations and other buildings.

Before joining the Corporation, he held the position of Senior Vice President, Finance and Control, at Loblaw Companies Ltd., spent six years as Vice President, Controller, at Provigo Inc. and close to eight years in various management positions at Club Price Canada. With his extensive experience at major retailers and distributors, Mr. St-Jean brings a unique expertise and vision in strategic and financial management to VIA Rail.

Mr. St-Jean has a Bachelor's Degree in Business Administration from the *Université de Sherbrooke* and is a member of the Canadian Institute of Chartered Accountants and holds the CPA, CA designation.

Contributors to the 2018 Annual Report

Editor in Chief

Jennifer Bauer
Corporate Communications, VIA Rail

Editor

Paul Molpeceres
Corporate Communications, VIA Rail

Graphic Design

Gauthier Designers

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