VIA Rail Canada

Annual Report 2019

2019 Milestones

January

- VIA Rail increases revenues over the 2018-2019 holiday season, registering its best financial performance in the past 10 years.

February

- VIA Rail unveils the modernized and now fully accessible Ottawa station, which garners us the President's Award from the Canadian Council of the Blind. **(p. 20)**
- Fleet Replacement Program: Kick-off of project activities with different internal VIA Rail teams and Siemens Canada

March

- VIA Rail and Veterans Affairs Canada mark 75 years since the Battle of Normandy by placing combat boots on a train travelling from Vancouver to Halifax, stopping for ceremonies in communities along the way.

April

- VIA Rail is honoured with the Veterans Employment Transition Award **(p. 35)**
- VIA Rail brings 200 young students from Toronto to Parliament Hill in celebration of Black History Month. **(p. 26)**

May

- VIA Rail welcomes its new President and CEO, Cynthia Garneau, for a five-year mandate, as well as three new board members.
- A study by the University of Victoria's Gustavson School of Business ranks VIA Rail in the 50 most trusted brands in Canada. **(p. 34)**

June

- Announcement that $71 million in new funding has been allocated to further explore VIA Rail's Quebec City to Toronto High Frequency Rail (HFR) project **(p. 11)**
- Creation of a Joint Project Office (JPO) between VIA Rail and the Canada Infrastructure Bank (CIB), which will focus on HFR-related activities **(p. 11)**

July

- For the first time in ten years, the number of VIA Rail passengers exceeds six figures for Canada Day long weekend. **(p. 15)**

August

- VIA Rail wraps up a summer of Pride events in several Canadian cities. **(p. 26)**

September

- VIA Rail maintains its commitment to public safety by partnering once again with Operation Lifesaver during Rail Safety Week. **(p. 18)**
- VIA Rail launches the Locomotive Engineer Apprenticeship Program. **(p. 32)**
- VIA Rail's hosts a pilot project at Ottawa station testing potential service animal relief stations. **(p. 17)**
- VIA Rail is awarded Gold certification by Women in Governance. **(p. 35)**

November

- Four new police constables are sworn in as members of VIA Rail's Police and Corporate Security team. **(p. 18)**

December

- VIA Rail announces positive results from its media buying strategy focused on Canadian content producers. **(p. 23)**
- VIA Rail welcomes the federal government's renewed support for its High Frequency Rail project. **(p. 12)**

Contents

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 454 train departures weekly on a 12,500-km network, connecting over 400 Canadian communities. With 3,234 employees at the end of the calendar year, VIA Rail carried more than 5 million passengers in 2019.

Where We Operate

400+

communities served across Canada

Passenger Revenues Per Train Route

81%

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

81%
Inter-City Travel

18%
Long-Distance

1%
Regional

Passenger Trips Per Train Route

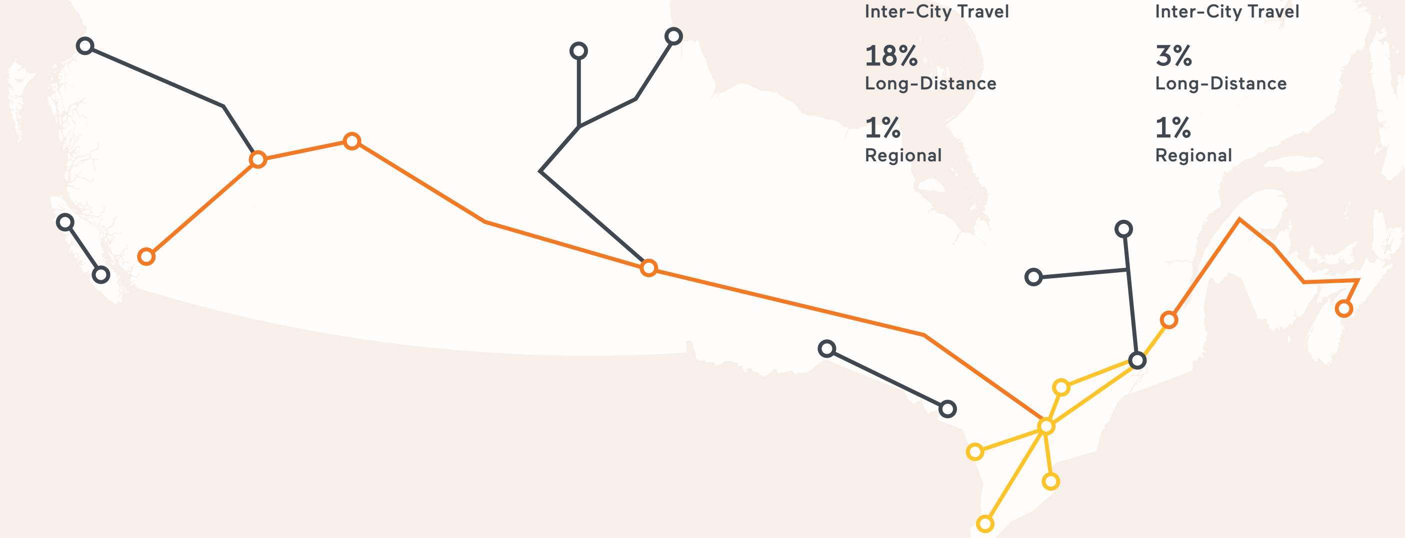
96%

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

96%
Inter-City Travel

3%
Long-Distance

1%
Regional



Inter-City Travel (in the Corridor)

In the densely populated Corridor between Quebec 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

454

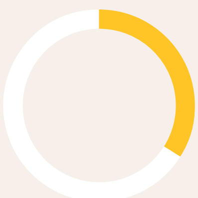
per week, of which 84% of our trains depart on time

Employees

3,234

Active Employees
as of the end of the calendar year

Employee Diversity



34%

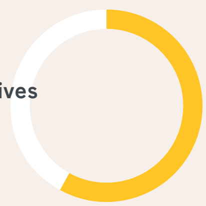
of our employees are women,
15% are visible minorities,
2% are people with disabilities, and
2% are Aboriginal People

Fleet

430

Train Cars
(in and out of service)

Locomotives



73

of which **92%** have been rebuilt for improved operational and environmental efficiency

Passengers

5M

passenger trips covering close to 1.7 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

9

Offices
1 head office
6 regional
2 satellite

4

Maintenance Centres
- Montréal
- Toronto
- Winnipeg
- Vancouver

Message from the Chairperson

"I applaud and thank VIA Rail's more than 3,200 employees for their tireless efforts to ensure that our clients enjoy a top-quality travel experience."

— **Françoise Bertrand,** O.C., C.Q.
Chairperson of the Board of Directors, VIA Rail

Three years ago, I enthusiastically agreed to play a role in VIA Rail's vision for 2020–2025. This responsibility has given me a front-row view of Canadians' evolving travel habits, and VIA Rail's vision has helped raise our passengers' environmental awareness.

I remain convinced, as this year draws to a close, that Canada's passenger rail service is the way of the future, and that VIA Rail has all the elements in place for its leadership in this field to be recognized.

By continuously improving our operations and transforming, VIA Rail will always be in a position to better serve the needs of our passengers. In 2019, more than five million passengers chose the train for their inter-city travel. In doing so, these millions of passengers showed their appreciation for the efforts put out by all our teams: those who serve our customers on board our trains, those who work in our maintenance centres and in our stations, and the teams that manage our administrative services. I applaud and thank VIA Rail's more than 3,200 employees for their tireless efforts to ensure that our clients enjoy a top-quality travel experience.

This year was an important one for VIA Rail as we welcomed the arrival of a new President and Chief Executive Officer, Cynthia Garneau. It is well-known that a change in leadership is a special moment in an organization's history. Using the extensive and deep knowledge garnered from her aerospace industry background, Cynthia Garneau joined the VIA Rail team to help build its future with passion and determination. To clearly mark this new era under her leadership, she has carried out strategic planning for 2019–2024 in order to continue VIA Rail's modernization, which is already well-underway thanks to government funding for the acquisition of a new fleet to better serve the Quebec City – Windsor corridor. Another flagship modernization project is High Frequency Rail, a project which would see us build dedicated tracks in this same corridor. The Government of Canada's decision to grant funding through the Canada Infrastructure Bank for the analysis of de-risking activities is a welcome and highly encouraging sign for sustainable mobility. The government has created a Joint Project Office for VIA Rail and the Canada Infrastructure Bank to work together on this project.

Technology wise, we are working to develop a reservation system that facilitates passenger choice and offers a top-quality user experience. Our teams are also working to improve our services and operations as well as our logistical organization, information systems and market intelligence, as well as prioritizing the respect of security standards.

As a result, 2019 was certainly a year of transition, but also one of great achievements.

In terms of governance, the Board of Directors' committee structure will allow us to keep track of multiple strategic projects. I want to thank my fellow Board members for their commitment and unwavering dedication. In March 2019, we were fortunate enough to welcome three highly accomplished new members to the Board: Miranda Keating Erickson (Vice President, Markets for the Alberta Electric System Operator [AESO]), Vianne Timmons (President and Vice-Chancellor of the University of Regina) and Grant Christoff (legal counsel for the First Nations Health Authority in British Columbia).

I also want to thank the Honourable Marc Garneau and all of Transport Canada for their collaboration and trust.

To all our current and future passengers, on behalf of the management team and of all VIA Rail employees, I would like to reiterate our commitment to fulfilling our duty to connect Canadians from city to city, from coast to coast. We are all dedicated to offering a unique travel experience with the proud VIA Rail signature; an experience that is environmentally friendly, efficient and enjoyable.

Message from the President

As you read this message, I will be completing my first full year as VIA Rail's President and CEO. Since my arrival, I have been continuously impressed by our accomplishments, made possible through dedication and teamwork. Our customer-centric strategy, particularly when it comes to the safety of passengers, has clearly proven its merits. We closed the year having welcomed more than five million passengers aboard our trains – more than we've seen in over three decades. We also surpassed the benchmark of $400 million in revenue for the year, which is a first in VIA Rail's history. When people begin to see the great value in this smart, sustainable and safe mode of transport, the results are tangible.

"VIA Rail's large-scale projects, including the Fleet Replacement Program, the High Frequency Rail analysis project, and many other initiatives to modernize our services and infrastructure are running full throttle."

— Cynthia Garneau
President and Chief Executive Officer, VIA Rail

VIA Rail's large-scale projects, including the Fleet Replacement Program, the High Frequency Rail analysis project, and many other initiatives to modernize our services and infrastructure are running full throttle.

Our Fleet Replacement Program, which is seeing the building of a brand-new fleet for our Quebec City – Windsor corridor made great progress in its first year. We successfully completed the concept and design phases and have several exciting accessibility initiatives in the works for 2020. We began the Maintenance Facilities Modernization Project to enhance, upgrade and modernize our maintenance centres in anticipation of our new fleet and to better service our current fleet. We look forward to delivering our first passenger-ready, state-of-the-art trains in 2022. Simultaneously, this year we continued with our Heritage Fleet Refurbishment Program, which involves the modernization and refurbishment of HEP fleet train cars destined for use on VIA Rail's various routes.

Our High Frequency Rail, or HFR project, which will transform travel through the creation of a dedicated track for passenger trains between Quebec City and Toronto was also set in motion. In June, we announced, alongside the Canada Infrastructure Bank, $71 million in funding allotted to see this initiative move ahead. That was followed by the creation of a Joint Project Office between VIA Rail and the Canada Infrastructure bank, which will be responsible for key project components as it moves forward throughout 2020.

Because we are committed to being one of the most accessible mobility options in Canada, I am very proud of the headway we've made this year. Our Clear Station pilot project at Ottawa station, designed to help the blind and partially sighted navigate our stations autonomously, garnered us many accolades, among them the 2019 President's Award from the Canadian Council of the Blind. This honor recognized not only Clear Station, but also our broader efforts in improving accessibility, including an over $15 million investment to modernize our now fully accessible Ottawa station.

We also undertook other accessibility initiatives including major improvements to our Halifax station, a pilot project that will make traveling with service animals easier through pet relief stations, and the development of our very own accessibility policy shows our commitment to creating a barrier-free Canada, and we look forward to continuing on this path.

VIA Rail gives great importance to our impact on Canadians in the communities we serve. In 2019, we continued to be present at events from coast to coast, from sponsoring leadership-building workshops to playing a central role in rail safety awareness events in conjunction with local and provincial law enforcement agencies. VIA Rail participated in five Pride events throughout the summer, where VIA Rail employees proudly represented our values of diversity and inclusion.

In my first year as President and CEO of VIA Rail, we've made important strides on many fronts together. I would like to highlight my incredible colleagues on the executive team, whose expertise and enthusiasm has allowed us to make such great progress on these many initiatives throughout 2019. I would also like to thank our Board members for continuing to be tireless champions of inter-city passenger rail in Canada. Your support is helping us bring VIA Rail to the next level. And finally, none of this would have been possible without our outstanding employees from coast to coast. You truly make the difference.

While we take pride in what we accomplished together in 2019, we have already faced our fair share of challenges in the first few months of 2020. The railway blockades, followed by the coronavirus pandemic, have had a significant impact not only on our passengers' travel plans but also on many VIA Rail employees. I would like to take a moment to thank our team for their efforts and resilience during this challenging start to the year.

I look forward to making further progress on our transformative initiatives, as well as welcoming new opportunities that will present themselves throughout 2020 and beyond.

The 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.

	2019	2018	2017	2016	2015
Key Financial Indicators (in millions of dollars)					
Total passenger revenues (1)	**388.1**	369.0	342.6	301.1	275.0
Total Revenues (1)	**411.1**	**392.6**	**365.7**	**324.3**	**297.8**
Operating expenses (1)	**663.4**	633.4	592.6	554.4	520.0
Contributions for employee benefits (1)	**28.4**	31.8	38.4	37.4	57.8
Total Operating Expenses (1)	**691.8**	**665.2**	**631.0**	**591.8**	**577.8**
Operating Loss	**280.7**	**272.6**	**265.3**	**267.5**	**280.0**
Capital expenditures	**268.8**	123.8	88.4	91.0	97.9
Total Funding Required	**549.5**	**396.4**	**353.7**	**358.5**	**377.9**
Government operating funding	**280.7**	272.6	265.3	267.5	280.0
Government capital funding	**267.7**	121.8	88.4	86.3	97.9
Total Government Funding	**548.4**	**394.4**	**353.7**	**353.8**	**377.9**
Asset Renewal Funding	**1.1**	**2.0**	**0.0**	**4.7**	**0.0**
Key Operating Statistics (2)					
Total passenger-miles (in millions)	**1,055**	992	954	858	822
Total passengers (in thousands)	**5,008**	4,745	4,392	3,974	3,818
Total seat-miles (in millions)	**1,772**	1,745	1,662	1,578	1,457
Operating deficit per passenger-mile (in cents)	**26.6**	27.5	27.8	31.2	34.1
Yield (cents per passenger-mile)	**35.9**	36.4	35.0	34.3	32.5
Train-miles operated (in thousands)	**6,933**	6,825	6,720	6,547	6,347
Car-miles operated (in thousands)	**43,661**	44,766	43,604	42,637	40,120
Average passenger load factor (%)	**60**	57	57	54	56
Average number of passenger-miles per train mile	**152**	145	142	131	130
On-time performance (%)	**68**	71	73	73	71
Number of full time equivalent employees during the period	**3,308**	3,207	3,011	2,787	2,694

(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 2019 (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	$205,965	$299,184	$93,219	$34.56	$0.15	48,681	2,697,438
Québec-Montréal-Ottawa	$63,496	$85,079	$21,583	$23.05	$0.15	16,658	936,552
Corridor East	**$269,461**	**$384,263**	**$114,802**	**$31.59**	**$0.15**	**65,339**	**3,633,990**
Toronto-London-Sarnia-Windsor	$53,740	$79,064	$25,324	$23.02	$0.19	20,804	1,100,210
Toronto-Niagara	$1,488	$6,195	$4,707	$97.47	$1.23	1,018	48,293
South Western Ontario (SWO)	**$55,228**	**$85,259**	**$30,031**	**$26.15**	**$0.22**	**21,822**	**1,148,503**
Corridor	**$324,689**	**$469,522**	**$144,833**	**$30.28**	**$0.16**	**87,161**	**4,782,493**
Montréal-Halifax	$12,829	$54,768	$41,939	$535.26	$0.98	1,487	78,353
Toronto-Vancouver	$67,916	$116,763	$48,847	$594.72	$0.48	1,579	82,135
Longhauls	**$80,745**	**$171,531**	**$90,786**	**$565.69**	**$0.63**	**3,066**	**160,488**
Montréal-Gaspé	$0	$0	$0	n/a	n/a	0	0
Montréal-Jonquière	$433	$6,154	$5,721	$520.80	$3.11	208	10,985
Montréal-Senneterre	$417	$6,701	$6,284	$604.93	$3.30	186	10,388
Sudbury-White River	$224	$3,954	$3,730	$627.63	$4.38	121	5,943
Winnipeg-Churchill	$3,144	$21,360	$18,216	$862.13	$2.66	192	21,129
Jasper-Prince Rupert	$1,405	$9,816	$8,411	$515.16	$1.62	307	16,327
Mandatory	**$5,623**	**$47,985**	**$42,362**	**$654.02**	**$2.55**	**1,014**	**64,772**
The Pas and Pukatawagan[1]	n/a	$2,762	$2,762	n/a	n/a	n/a	n/a
System	**$411,057**	**$691,800**	**$280,743**	**$56.06**	**$0.27**	**91,241**	**5,007,753**

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

Review of Operations

Major Transformative Projects – The Future of VIA Rail

High Frequency Rail

Through High Frequency Rail (HFR) in the Quebec City – Toronto corridor, VIA Rail will transform passenger rail service in Canada. The HFR plan proposes tracks dedicated to passenger trains between major centres (Quebec City-Montréal-Ottawa-Toronto). Coupled with our new train fleet, HFR would transform the inter-city travel experience by providing faster and more frequent service in comfortable, safe and fully accessible trains.

This year, the Government of Canada and the Canada Infrastructure Bank (CIB) joined with VIA Rail to announce that $71 million in new funding had been allocated to further develop VIA Rail's HFR project. This announcement, which involved the creation of a Joint Project Office (JPO), is a critical step forward in ensuring VIA Rail continues to offer a modern passenger rail service for a more connected, more sustainable and more mobile Canada.

Major Transformative Projects – The Future of VIA Rail

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High Frequency Rail (cont'd)

The JPO is focusing on key components of the project such as: finalizing legal and regulatory work related to safety and environmental assessments; consulting with stakeholders and Indigenous communities; examining required land and track acquisition; and completing the technical, financial and commercial analysis required for a final investment decision on HFR.

In December, VIA Rail was delighted that Prime Minister Justin Trudeau renewed the support of his government for the HFR project. Within the Minister of Transport, Marc Garneau's mandate letter published close to the end of 2019, HFR was one of the initiatives to pursue as part of the government's Transportation 2030 strategic plan.

Press conferences announcing funding for HFR were held at the Trois-Rivières (pictured) and Peterborough stations. Left to right: the Hon. Marc Garneau, Minister of Transport; the Hon. François-Philippe Champagne, Minister of Infrastructure and Communities (2018-19); Pierre Lavallée, President and CEO of the Canada Infrastructure Bank; and Cynthia Garneau, President and CEO of VIA Rail.

Fleet Replacement Program

Following the announcement that VIA Rail had awarded a contract to Siemens Canada to build 32 new train sets for use in the Quebec City – Windsor corridor, 2019 marked the kick-off of project activities and the creation of a VIA Rail Fleet Replacement Program team. This major project involves the building of a unique trainset, so that we can better meet the travel needs of all Canadians and provide the best passenger train experience.

In the first quarter, we began the first of the three design phases. This first phase focuses on the train configuration and systems in order to provide our clients with unparalleled features ranging from universal accessibility enhancements to comfort and convenience items. As well, VIA Rail brought on board a number of our front-line employees to advise the program team on how best to configure their work environment.

In the second and third quarters of 2019, we were in the midst of the concept and design phases, including the exterior branding, the selection of interior colours and the configuration of seating, always ensuring that the security, accessibility and comfort of our passengers are taken into consideration.

In the fourth quarter of 2019, we prepared for the launch of the Maintenance Facilities Modernization Program, an essential pillar of this project that will ensure that our maintenance centres are prepared to welcome the new fleet. The project consists of upgrading our Montréal and Toronto Maintenance Centres with enhanced and modernized servicing not only to support the arrival of the new fleet, but also to continue to optimally maintain our current fleet. Two other work streams, Information Technology and Maintenance Process Modernization, were added to the Corridor Fleet Replacement Program, thus completing its full scope.

In 2019, we remained on track and on schedule with all aspects of this project in order to be ready for the first train set, which is expected to be delivered in 2022. In early 2020, we will continue to move forward on this project with the launch of the first procurement phase for our Maintenance Facilities Modernization Program. In the first quarter of 2020, we will also hold a collaborative session with disability groups in which life-sized mock-up designs of the train will be assessed for their accessibility.

Heritage Fleet Refurbishment Program

VIA Rail's Heritage Fleet Refurbishment Program involves the modernization and refurbishment of 79 train cars out of the VIA Rail HEP fleet. Having started in 2017, the Program is scheduled to run until 2021.

Employing a "reuse-recycle-repurpose" approach, the renovated cars will be destined for use on VIA Rail's various routes, whether in the Corridor, on the *Canadian*, the *Ocean*, or on some of the Regional services we offer. The program will help VIA Rail deliver the best customer experience by improving the reliability and comfort of our train cars.

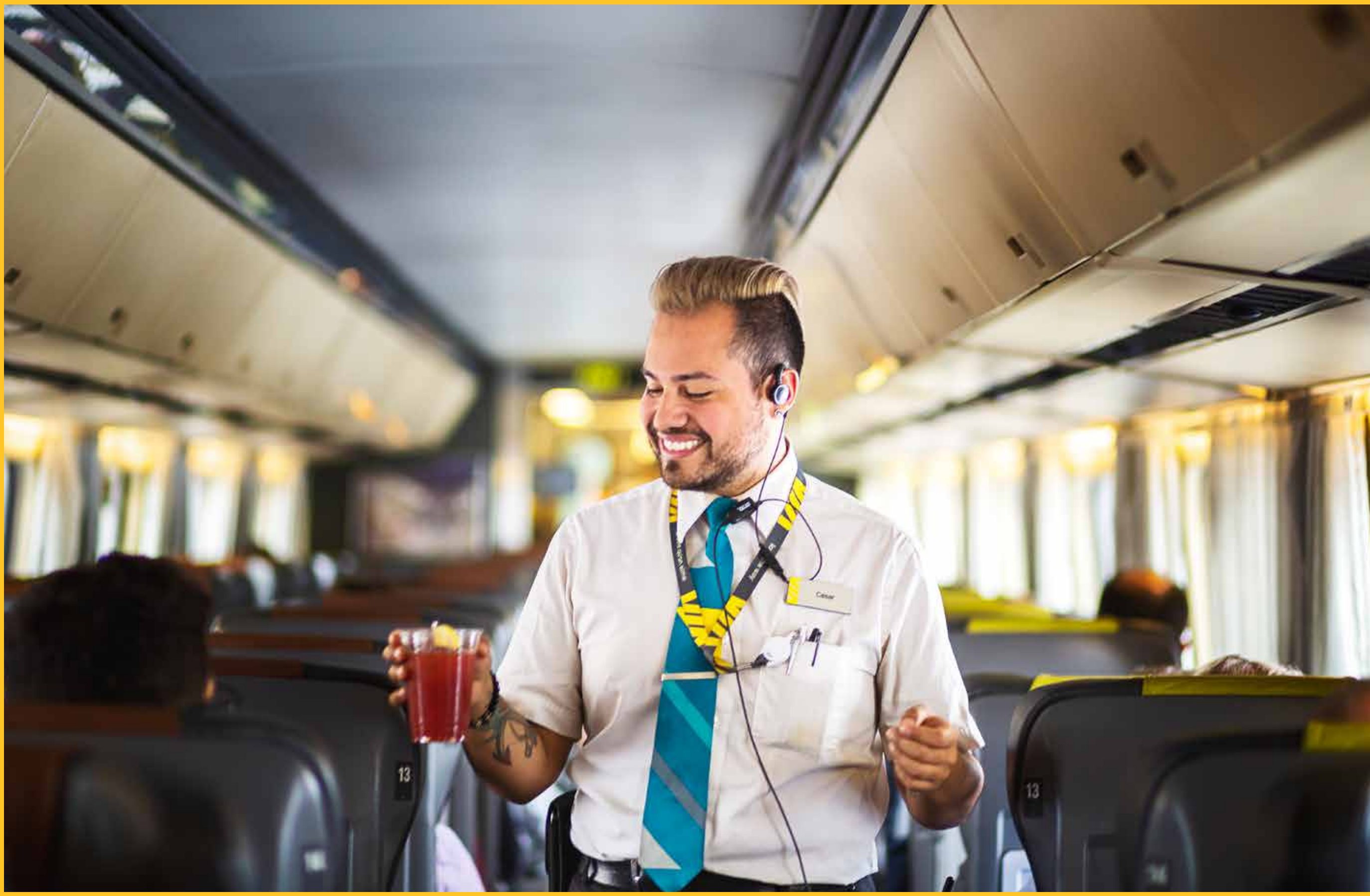
By the end of 2019, work had been completed on seven Economy cars and two Business cars, with three more Business cars in production. Upgrades include the overhaul and modernization of various systems such as the mechanical system to ensure long-term reliability, as well as the improvement of the train cars' interior design and comfort. Work and required analysis to extend the lifecycle of additional HEP cars continued in the fourth quarter of 2019.

As well, 14 units have been completed out of a total of 15 as part of the P42 locomotive partial overhaul project, which is on schedule for completion in March 2020. The partial overhaul consists of major systems requalification and/or rebuild, engine full rebuild and corrosion repair, all with a view of improved performance and optimization.

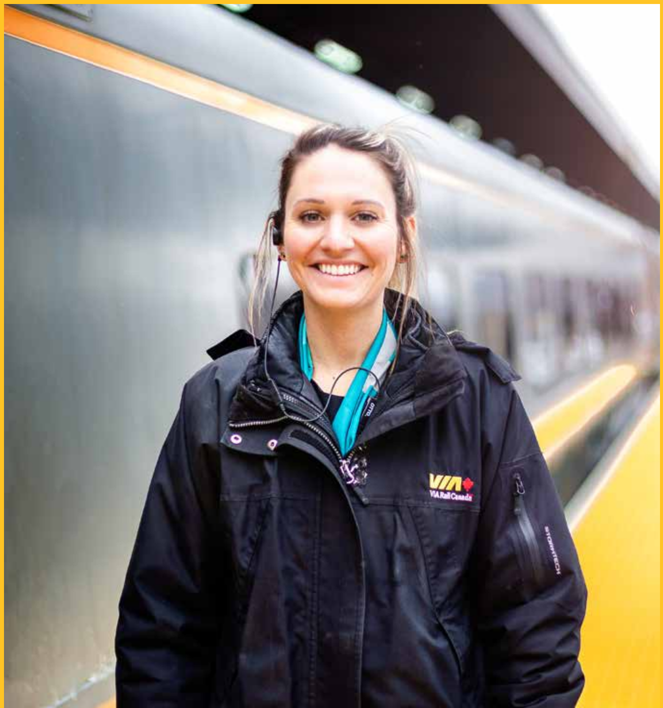
> **"With our many modernization projects now in full swing, VIA Rail is well on its way to playing a key role in the future of sustainable travel in Canada."**
>
> **— Cynthia Garneau**
> President and Chief Executive Officer, VIA Rail

Wider seats and lower noise emissions are among the benefits passengers will get to enjoy aboard VIA Rail's new fleet of trains.

Performance and Results



Stephanie Bourdeau-Hamelin
Senior Service Attendant
Quebec City – Windsor corridor



Solid Results for VIA Rail

In 2019, VIA Rail welcomed more than five million passengers aboard its trains; its highest annual ridership in the last three decades. The Crown corporation also surpassed the $400 million revenue mark for 2019, a first in its history. In the Quebec City – Windsor corridor, 2019 marked a 5.5% increase in ridership over the previous year. The Corridor East portion was particularly high-performing, registering a 7% ridership jump in 2019. These increases are impactful due to the fact that the Corridor represents more than 96% of VIA Rail's total ridership.

Strong Results for Holidays and Long Weekends

During 2019 Canada Day, August Civic Holiday and Labour Day long weekends, VIA Rail reported excellent ridership, at many times breaking records. For Canada Day long weekend, VIA Rail recorded a ridership increase of 10% for people travelling in the Corridor compared to 2018. VIA Rail also recorded its busiest Labour Day long weekend in ten years, with a ridership increase of 3.8% compared to the same period last year. Over this long weekend, our passengers travelled a total distance of 32 million kilometres. Finally, for the second consecutive year, over 100,000 passengers travelled with VIA Rail during Canadian Thanksgiving long weekend.

Cesar-Enrique Morel
Service Attendant
Quebec City – Windsor corridor

New Year's Eve Derailment

On December 31, a VIA Rail train travelling from Churchill, Manitoba to Winnipeg derailed south of Gladstone, Manitoba. The train was carrying eight passengers and five crew members. Two passengers and three crew members were taken to hospital for medical attention and later released, while the remaining passengers were taken to their Winnipeg destination by bus. VIA Rail would like to recognize the alertness, responsiveness, and professionalism exhibited by VIA Rail employees and first responders in the face of this serious incident, the cause of which is still under investigation by authorities with collaboration from VIA Rail.

Working Towards a Barrier-Free Canada

1. and 2. A pilot project in accessibility at Ottawa station saw VIA Rail explore options for future interior and exterior service animal relief areas at our stations.

1.

2.

Wayfinding for the Blind and Partially Sighted

In the first quarter of 2019, VIA Rail completed a proof of concept initiative at Ottawa station, where two technologies to help the blind and partially sighted were successfully demonstrated. Using beacon-based wayfinding and echolocation obstacle detection, blind and partially sighted passengers would be able to navigate a station from entrance to platform and back autonomously.

In the fourth quarter VIA Rail selected a partner, the Canadian National Institute for the Blind, to be our autonomous navigation solution provider for our blind and partially sighted passengers. The next phase will see us install a beacon-based mobile-app solution in six stations between Ottawa and Montréal: Ottawa, Fallowfield, Casselman, Alexandria, Dorval, and Montréal. We will also conduct a pilot test on the train to explore how we can better enable autonomous navigation on board. The installation work in the stations will take place in early 2020, as will the onboard testing.

This project, in addition to the accessibility improvements and renovations in our stations, demonstrate VIA Rail's continued commitment to providing full accessibility to our passengers. With our new fleet of trains, we are making sure that accessibility is a key consideration right from the start by collaborating with groups that represent people with disabilities on the accessible features of the trains. VIA Rail continues to innovate and work to attain universal accessibility as we progress on the journey to a barrier-free Canada.

VIA Rail was present at the Royal Assent Ceremony at the Senate of Canada for Bill C-81, the Government of Canada's landmark accessibility legislation. Left to right: Allan Fisher, Director, Facility Management; Catherine Langlois, Senior Advisor, Universal Accessibility; the Hon. Carla Qualtrough, Minister of Public Services and Procurement and Accessibility (2017-2019); Helen Louise Gillis of the CCB; and Sean Schofield, Senior Advisor, Innovation.

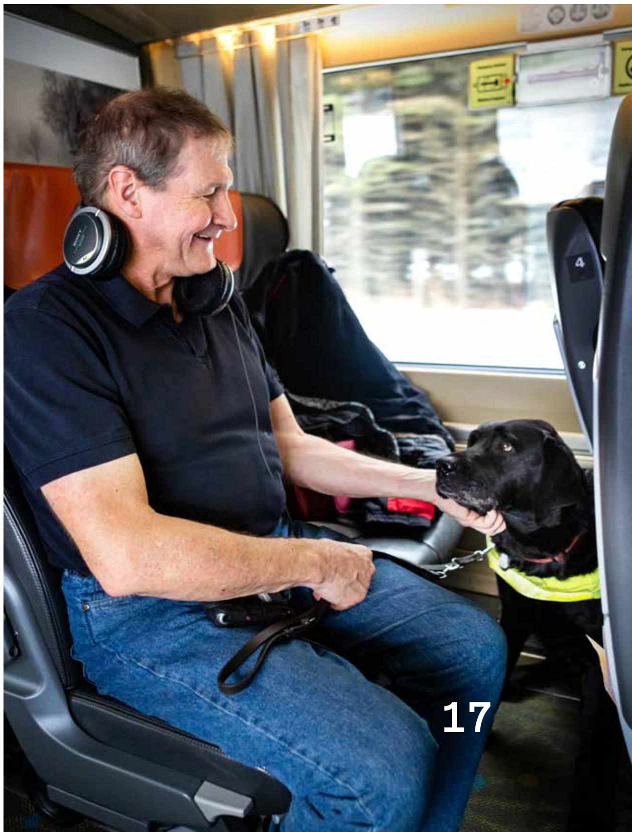
Collaborating for Increased Accessibility

The Corporation is proud to offer one of the most accessible modes of transport in Canada and will continue collaborating with stakeholders from accessibility organizations to improve access in all its services. We were therefore pleased to participate in the 2nd Annual Digital Access Day in May, organized by the Internet Society Canada Chapter. Through collaboration with Public Works Canada, with whom we are currently engaged in knowledge-sharing efforts, we will continue our accessibility work in 2020 in order to meet the new regulations under the Accessible Canada Act. VIA Rail is also currently developing its own accessibility policy, which is expected to be finalized in 2020. These efforts reflect our ambition to be a Canadian leader in universal accessibility.

Making Travel with Service Animals Easier

In September, VIA Rail's Innovation and Accessibility teams hosted a joint pilot project at Ottawa station where they tested potential service animal relief stations for indoor and outdoor use. The aim is to make travelling easier for those accompanied by a service animal. In attendance were representatives from the Canadian Council of Disabilities, Courageous Companions, the Canadian Council of the Blind and the Canadian National Institute for the Blind. The learnings from the session will inform version two of the relief station, and soon thereafter, their installation in our stations in 2020.

Bob Berrigan and his loyal canine companion, Gus. VIA Rail is committed to being one of the most accessible mobility options in Canada by providing a smarter way to move people.



Operating Safely and Securely

VIA Rail Police: Committed to Increasing Safety for All

VIA Rail Police and Corporate Security are committed to protecting passengers, employees and property while supporting passenger train services, as well as building partnerships and acting as a link with Canadian police agencies and the intelligence community. They are aligned with the Corporation's strong customer relations approach.

From preventative and proactive policing to community outreach, VIA Rail Police and Corporate Security worked with local communities and police forces across Canada in 2019 to continue to provide a safe and secure travel experience. VIA Rail continued to hire and deploy railway police constables within the Quebec City – Windsor corridor, expanded its second detachment in London, Ontario, and established its three-year objectives, which include supporting victims of crime and enhancing operational effectiveness. Furthermore, VIA Rail oversaw the enhancement of security on board its trains and in its stations by taking significant leadership roles in areas such as fraud reduction, threat monitoring and intelligence sharing.

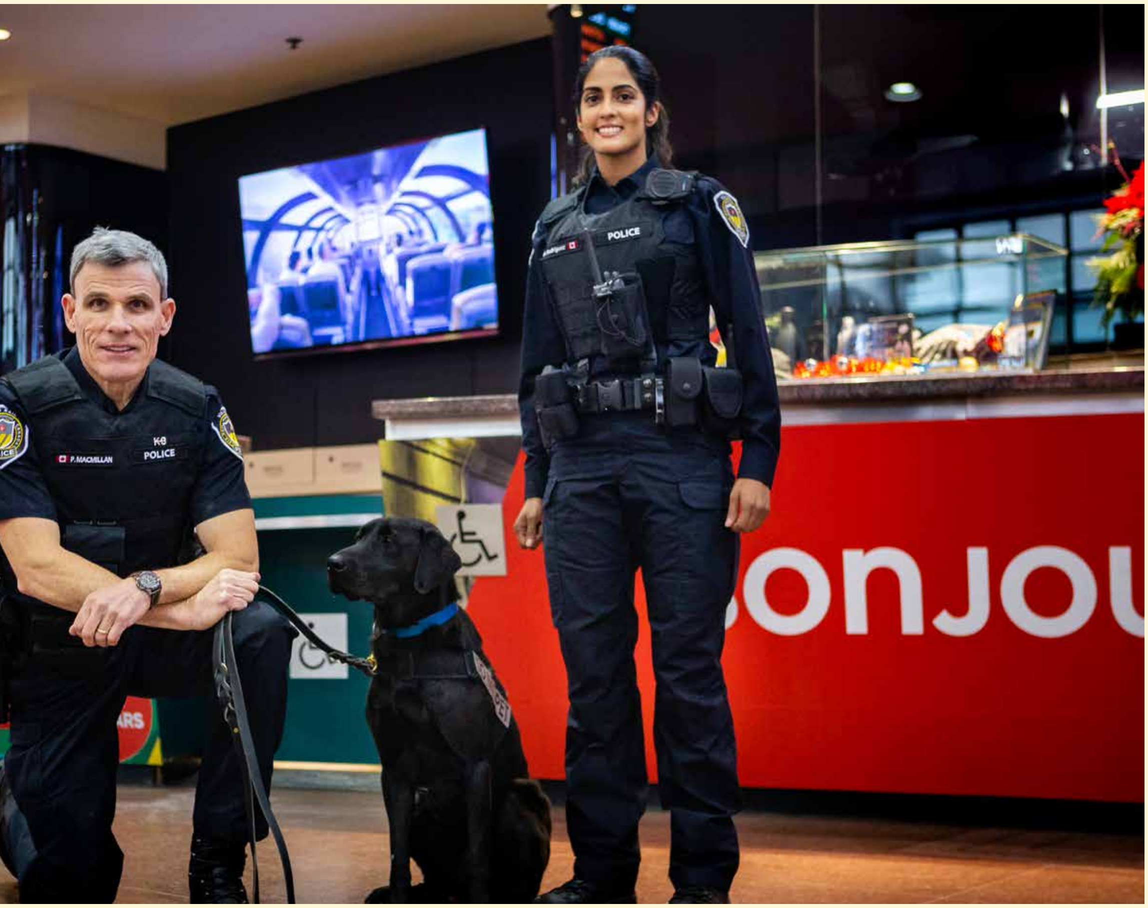
Ever-Present in Our Communities

During Rail Safety Week in September, VIA Rail employees, management and police constables were heavily involved in events throughout the country alongside Operation Lifesaver's Safety Ambassadors. VIA Rail's Police were also one of 17 Canadian police services participating in Operation Clear Track, the largest rail-safety law enforcement initiative in North America. They also participated in the 5th International Union of Railways Security Week by being present on trains and at information booths in major cities across Canada, and engaging with passengers and employees on the topic of rail safety.

In October, VIA Rail Police and Corporate Security participated in the 2019 Association of American Railroads railway industry security exercise, and in November, four new VIA Rail police constables were sworn in during an official ceremony. Other activities included a joint policing initiative at Winnipeg station between multiple police agencies from throughout Manitoba.

2019 also saw the development of a *Vulnerable Persons Strategy* and a pilot project was subsequently initiated at London station. The pilot project focused on a problem-resolution approach with the collaboration of community partners to address education, prevention, and crisis intervention strategies for those afflicted by mental illness, poverty, homelessness and/or substance dependency in order to make London station safer.

1.



1. VIA Rail police constables at Montréal Central Station
2. VIA Rail Chief of Police and Corporate Security, Peter Lambrinakos (front centre), with President and CEO Cynthia Garneau (right) and Chief Transportation and Safety officer Marc Beaulieu (left) at the swearing-in ceremony of four VIA Rail police constables and three civilian members
3. VIA Rail Police and Corporate Security were present at locations across Canada during Rail Safety Week and as part of Operation Clear Track.

2.

3.

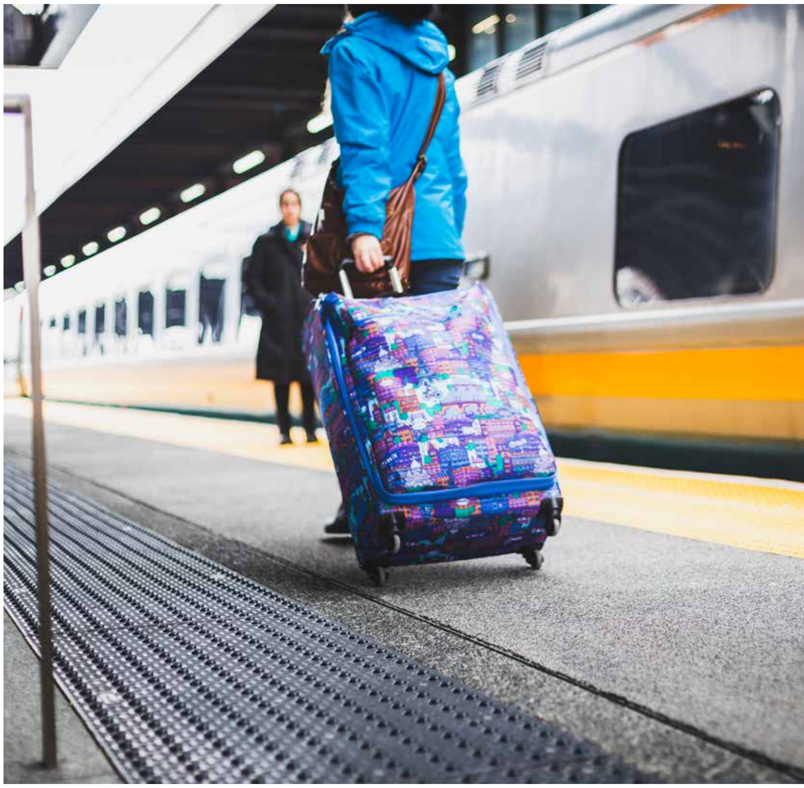
Stations and Infrastructure

Ottawa Station

In February, VIA Rail unveiled the completed renovations at Ottawa station, including elevators and an elevated platform. This $15 million project* has made Ottawa station fully accessible for people with limited mobility, placing it on par with international accessibility standards. The station now serves as inspiration for future accessibility improvements in our other stations.

In recognition of our commitment to being a leader in accessibility and for promoting a barrier-free Canada, we received the 2019 President's Award from the Canadian Council of the Blind in February.

* Part of the 2014 Infrastructure Program for which the Corporation received $102 million in funding.



Improvements at Ottawa station include the construction of a heated, tactile boarding platform with an access ramp, at level with the train door for ease of boarding and detraining of passengers.

Halifax Station Rejuvenation

Throughout 2019, work continued at Halifax station as part of a project to make significant improvements to the overall condition of the building, improve accessibility and showcase its historic heritage architecture. The main concourse roof area was rebuilt, including the replacement of the central roof and skylights which led to an impressive increase of natural light in the station. The renovations will improve accessibility and comfort for our passengers.

Newly renovated concourse roof and skylight at Halifax station

Pacific Central Station: One Hundred Years of History

On November 1, employees from Vancouver's Pacific Central Station, the Vancouver Maintenance Centre and onboard staff from the iconic *Canadian* gathered to mark the 100th anniversary of Pacific Central Station. VIA Rail President and Chief Executive Officer, Cynthia Garneau, took her first cross-country train ride on the *Canadian* to get to the event where she proudly took part in the celebrations alongside other VIA Rail executives and the different teams in Vancouver.

Built in 1919, Pacific Central Station is a symbol of Canada's socio-economic development experienced throughout the past century. Today, the station is at the heart of our operations as it welcomes the *Canadian* every week, connecting our communities from coast to coast and allowing Canadians to discover the beauty of our great country.

Adapting to Inclement Weather

In order to mitigate the effects of climate change and severe weather conditions, the Mechanical & Maintenance team, in collaboration with many other departments at VIA Rail, created a readiness playbook. The playbook, which is a tool that clearly defines the contributions and commitments needed to achieve better on-time performance and passenger satisfaction during times of inclement weather, has better prepared us for elements that can affect our departure times and can take a toll on our fleet overall. Following its successful first year in use, VIA Rail is implementing the playbook once again for 2020.

1.

2.

1. Pacific Central Station is at the heart of our operations as it welcomes the iconic *Canadian* every week, connecting our communities from coast to coast.
2. VIA Rail President and CEO Cynthia Garneau celebrating the 100th anniversary of Pacific Central Station with employees in Vancouver

Online

Maintaining an Open Dialogue with our Communities

As part of the maintenance, repair and modernization of our tracks in 2019, VIA Rail has taken steps to raise community awareness of work before it begins, and to ensure continued communication as it unfolds. Through in-person distribution of notices to residents, the publication and updating of these notices on the "In Your Community" website, and the opening of communication channels, VIA Rail is sharing important information with people residing near tracks and benefitting from their feedback. VIA Rail also met with municipal stakeholders from the locations targeted by the work to share information, answer questions from elected officials and solicit their feedback. In addition, VIA Rail has worked closely with municipal governments, as well as provincial and federal elected officials to obtain support in disseminating information on their respective communication platforms and in answering questions from citizens.

VIA Rail is sharing important information with people residing near tracks and benefitting from their feedback.

Learn All About VIA

In May, VIA Rail launched a new version of its corporate website, About VIA Rail—corpo.viarail.ca—a single destination where visitors can find information about all of our transformation and modernization projects.

This continuously updated website is designed to inform and inspire through engaging content that puts the spotlight on our projects and goals, in addition to providing useful information about the company.

The site features five main sections where visitors are able to find information relating to our proposed High Frequency Rail, our accessibility improvements, how we contribute to communities across Canada and much more.

A Sustainable Media Strategy

In 2018, VIA Rail and media agency Touché! launched the Love the Way campaign with a goal of increasing VIA Rail's brand visibility and boosting ticket sales. In 2019, 80% of advertising investments for the Ontario and Québec markets were allocated to the digital platforms of local content creators and publishers, in order to re-invest in Canada. Major Canadian media became our precious allies and together we strive to ensure the sustainability of local newsrooms, while continuing to launch impactful campaigns. The results were positive, with an increase of 6.5% in transactions, 6% in ridership and 5.5% in total revenue.

Increasing our presence in the Canadian digital ecosystem was a strategic choice that allowed us to effectively reach our target audience and to more fully embody our position as a unifying Canadian leader in sustainable, enjoyable and safe mobility, all while supporting local media.

Another strategic component of this campaign was to target with our physical advertisements Canadians who already make regular use of public transportation and sustainable transit options. By positioning advertisements in metro stations, bus shelters and bike-share stations in Toronto, Montréal and Ottawa, we inspired commuters to intrinsically adopt VIA Rail as part of their habitual public transportation routine, all while highlighting VIA Rail as an integral part of Canada's sustainable transportation networks.

VIA Rail advertisements placed near public transit hubs in major Canadian cities aimed at further inspiring commuter inter-modality.

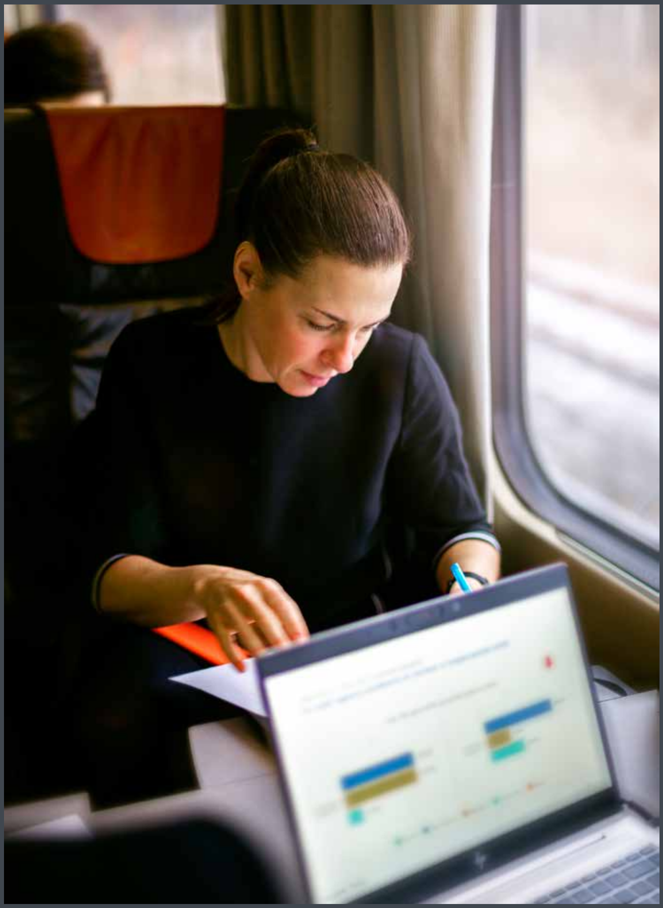
Onboard Experience

Get Connected on Board

Being able to connect on board is one of the great advantages of taking the train. To improve the online experience for passengers, upgrades were made to the Wi-Fi service in our Economy and Business class cars in the Quebec City – Windsor corridor and between Montréal and Halifax (the *Ocean*) in 2019. As of the end of 2019, more than 80% of cars travelling on these routes have improved Wi-Fi, with the remainder to be completed by the end of 2020. The onboard passenger Wi-Fi service can now connect to up to 300 devices per train car (previously 50) and as a result, customer feedback shows a higher level of satisfaction with connectivity on board.

As a result, customer feedback shows a higher level of satisfaction with connectivity on board.

Pablo Ferraiolo
Station Services Agent
Montréal, Québec



Community Building

As part of our commercial activities, VIA Rail creates partnerships with the communities we serve in a way that promotes sustainable development. 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.

1.

Highlighting Black History Month

In April, VIA Rail collaborated for the tenth consecutive year with the Children's Breakfast Club of Toronto to highlight Black History Month in an initiative that saw 200 young students from diverse cultural communities across southern Ontario travel by train to Parliament Hill. On the train, the Honourable Jean Augustine, first black woman to be elected to Parliament, and other community leaders engaged with students who also received a complete tour of Parliament, and met Members of Parliament and representatives of the Prime Minister.

Students eager to board the train at Toronto's Union Station in April for an event on Parliament Hill celebrating Black History Month

VIA Rail employees at Toronto's 2019 Pride Parade in June

Side-by-Side at Pride

In 2019, VIA Rail was once again a proud supporter of Pride festivities across Canada. More than 80 VIA Rail employees joined in the celebrations in Winnipeg, Toronto, Montréal, Ottawa and Moncton, proudly representing the Corporation and our commitment to inclusion and diversity.

WE Schools: Leadership, Empathy and Connection

In October, VIA Rail proudly partnered with WE Schools in support of a week of programming on environmental sustainability and Indigenous Reconciliation by providing transportation for 46 students to travel between Thompson and Churchill, MB. Throughout the week, students from Winnipeg and communities across Northern Manitoba developed leadership skills, built empathy and connections with their peers from across the province and explored the concept of Reconciliation and what actions all Canadians can take to participate in it. They also learned about local challenges with a focus on issues facing Indigenous communities in Northern Manitoba and created an action plan to lead social action when they returned home.

2.

1. WE Schools initiative participants got to live a once-in-a-lifetime experience, both learning new skills and exploring the natural beauty of Churchill, MB.
2. WE Schools participants at VIA Rail's Thompson, MB station.

Staying Connected to the Transportation Ecosystem

In September 2019, VIA participated in the first ever *Forum annuel de la Politique de mobilité durable*, organized by the government of Québec. Bringing together the various transportation stakeholders in Québec, this event enabled VIA Rail to maintain its close relationship with this network and to discuss various issues and common concerns. This meeting was also an opportunity to promote VIA Rail's projects and activities to government actors and collaborators, all while encouraging knowledge-sharing. And finally, the forum was an opportunity for VIA Rail to position itself as a major player in sustainable mobility in Québec and Canada.

Throughout the last quarter of 2019, VIA Rail actively participated in public transportation and railway industry events. Representatives from VIA Rail attended the Transit Policy Forum organized by the Canadian Urban Transit Association (CUTA) in Montréal. In December, we were present at the government of Québec's Rail Transportation Summit in Drummondville, where VIA Rail's President and Chief Executive Officer, Cynthia Garneau, took part in panels alongside other key players in the Québec rail industry. The summit, which presented an overview of earlier consultations, also gave VIA Rail a chance to meet with many industry stakeholders for in-depth discussions about shared challenges.

VIA Rail President and CEO Cynthia Garneau (second from right) took part in discussions at the Rail Transportation Summit in Drummondville, Québec, alongside Québec Transport Minister, François Bonnardel (far left) and other key industry players.

> **I am thrilled to be doing what I am most passionate about: creating a collaborative environment that allows us to have an impact on our employees, the communities in which we work, live and travel, and on the next generation."**
>
> **— Cynthia Garneau**
> President and Chief Executive Officer, VIA Rail

Supporting Socio-Economic Development

To kick off 2019, VIA Rail contributed to and participated in several events hosted by organizations with a mission to promote a sustainable economy and greener mobility, such as *Trajectoire Québec*, the Global Infrastructure Leadership Forum, the *Association québécoise des transports*, the *Regroupement des jeunes chambres de commerce du Québec*, the Railway Association of Canada, the Manning Institute, the Broadbent Institute, Equal Voice's "Daughters of the Vote" and the Femmessor Institute.

Reinforcing our Relationships with Indigenous Communities

This year, VIA Rail also continued to work towards meeting the requirements of the second phase of the Progressive Aboriginal Relations (PAR) which focuses on the development and deployment of Indigenous cultural awareness for VIA Rail employees and on reinforcing corporate Indigenous relations. VIA is also a proud partner of the 2019 Indspire gala, an annual event that supports educational programs for Indigenous youth and recognizes the achievements of Indigenous peoples.

Furthermore, as part of our efforts to strengthen our relations with Indigenous communities, as well as to explore further partnerships, meetings were held with representatives from the Kitigan Zibi Anishinabeg community, as well as with Indigenous organizations KAIROS and imagineNATIVE. Lastly, the Corporation took part in various events and activities, including a professional development webinar focused on emerging trends in Indigenous law.

Encouraging the Development of Cultural Communities

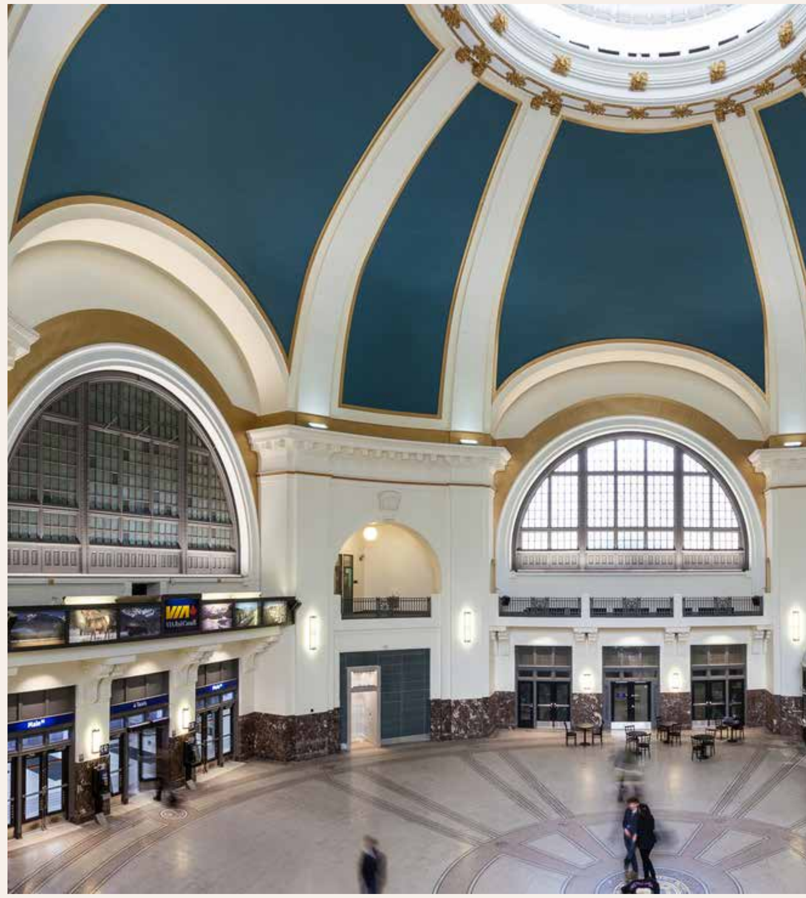
Through the Institute for Canadian Citizenship's Canoo program, formerly called the Cultural Access Pass program, new Canadians can travel at a discounted fare during their first year of citizenship. Since the launch of this partnership in July 2012, nearly 31,000 trips have been made thanks to VIA Rail's offer, with a total of 6,000 trips taken in 2019 alone, a 63.9% increase from last year. VIA Rail also relaunched its partnership with *Immigrant Québec* and will be involved in the 2020 edition of the immigration fair in Montréal.

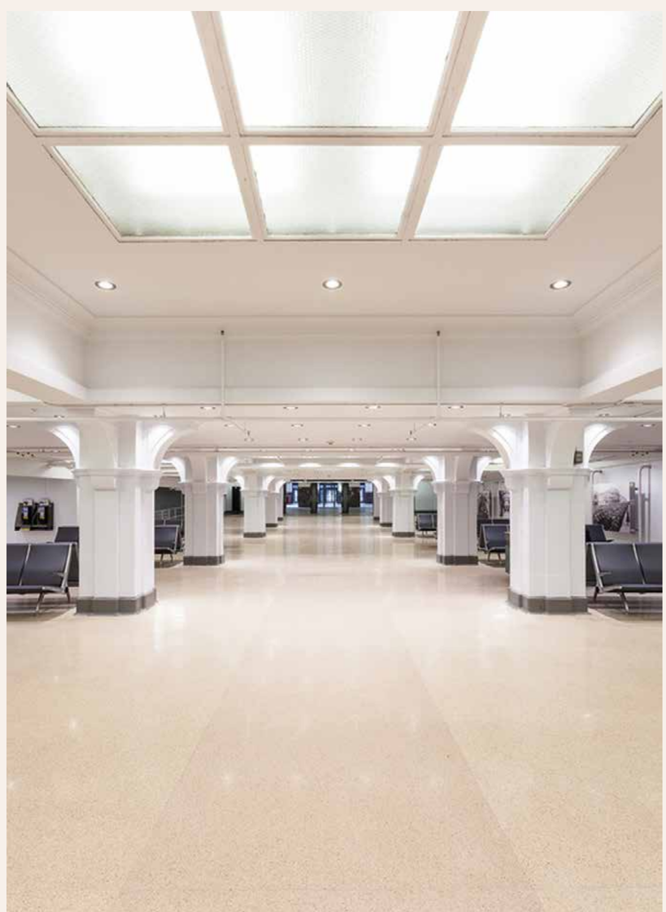
Empowering Women and Young Canadians

In the second quarter of 2019, our discussions and renewed partnerships with organizations such as Equal Voice, Women in Defense and Security, and the Forum for Young Canadians have demonstrated VIA Rail's commitment to collaborating with and supporting groups and partners promoting equality for women and youth engagement. Among our contributions, VIA Rail provided transportation on board in 2019 for more than 150 women participating in Equal Voice activities (more than 300 since 2017), and VIA Rail also provided transportation to Vancouver for 20 female influencers and Forum of Young Canadians representatives in order to participate in the global Women Deliver Conference in June.

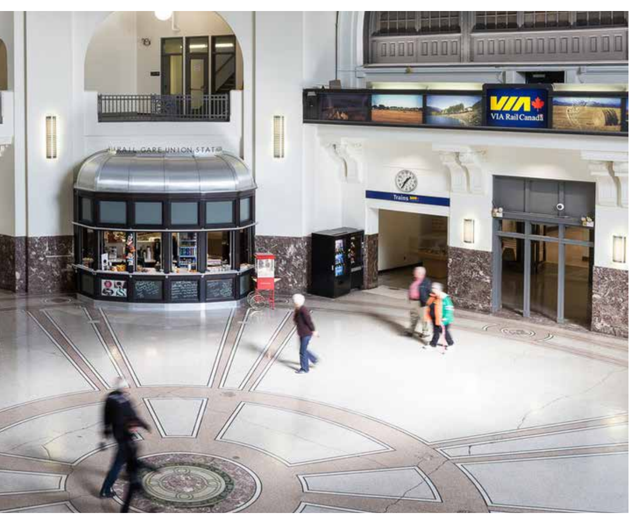
Members of VIA Rail's PAR Working Group and the Governmental and Community Relations team at the CCAB Annual Gala

Environment





Winnipeg's historic Union Station has once again earned BOMA BEST certification, which recognizes its excellence in sustainability.



Going Green with Digital Trip Reports

VIA Rail's Innovation team collaborated with the Customer Experience team as well as On-Train Service (OTS) Managers to develop electronic versions of Service Managers' Trip Reports. This initiative successfully replaced the paper-based process with a simple intuitive application. The application was developed in close collaboration with Service Managers to ensure it met the needs of onboard staff. This initiative resulted in the elimination of over 27,000 paper reports between June and December while enabling the sharing of data in real time with OTS Managers.

An Environmentally Sound Infrastructure

In September, VIA Rail announced that its Winnipeg station has once again earned the BOMA BEST sustainable buildings certification at the Certified level of performance. BOMA BEST sustainable buildings certification is managed by the Building Owners and Managers Association of Canada and is Canada's largest environmental assessment and certification program for existing buildings. It recognizes excellence in energy and environmental management and performance in commercial real estate. The BOMA BEST Certification reflects VIA Rail's commitment to a more sustainable and low carbon future and brings us one step closer towards our green building goal.

Building our Team

Locomotive Engineer Apprenticeship Program (LEAP)

Faced with the market reality of an aging population within the Locomotive Engineer workforce, VIA Rail had to rethink its talent acquisition strategies and implement the necessary "workforce replacement" plan for its future. We saw the first phase of this plan introduced in 2019 with the creation of a path to becoming a qualified Locomotive Engineer in a newly developed apprenticeship program.

After receiving over 1,600 applications, both internally and externally, VIA Rail invited the top candidates to a LEAP Candidate Information Session held in September. The information session represented another first for our organization with respect to the LEAP program and Locomotive Engineer recruitment.

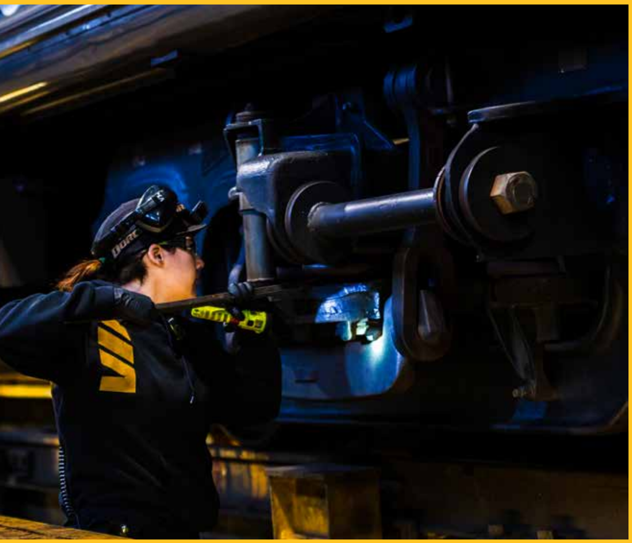
By November 2019, our first group of Locomotive Engineer recruits had been selected and the first pilot course had been launched. VIA Rail is proud that the first class—five men and five women—reflects gender parity in a profession that has traditionally been male-dominated. Students will progress through various phases over the next couple of years, and additional courses will be launched throughout 2020 to build on the success of this pilot program.

"I am energized by the passion and professionalism of our team, and I appreciate that thanks to them more and more Canadians are turning to VIA Rail for their travel needs."

— **Cynthia Garneau**
President and Chief Executive Officer,
VIA Rail

Marie-Claude Grenier
Rail Car Technician – Welding
Montréal Maintenance Centre

Reynald Jannini
Electrician - Refrigeration Specialist
Montréal Maintenance Centre



Stéphane Carrière-Virgile and Bannon Woods
Locomotive Attendants
Montréal Maintenance Centre

Awards and Recognition

Votes of Confidence for VIA Rail

VIA Rail is the highest-ranked transportation company, and 19th overall on the list of 50 most reputable and trusted companies in Canada according to the Boston-based Reputation Institute's 2019 RepTrack, released in May 2019. The study ranks companies based on criteria such as their ability to innovate and meet the needs of their customers, the quality of their products and services, and their business performance and positive influence on society. In another study, the Gustavson Brand Trust Index, published by the University of Victoria's Gustavson School of Business, VIA Rail was included in the 50 most trusted brands in Canada and was the only transportation company on the list, making it number one in that category.

Awards for Innovation in Accessibility

In June, during the 2019 *Association québécoise des transports* gala, which seeks to highlight outstanding transportation projects, VIA Rail won the public's choice award for Clear Station, its pilot project designed to help the blind and partially sighted navigate its stations autonomously. For this initiative, which was developed in collaboration with the International Union of Railways, VIA Rail also received the *Prix Ambassadeur*, which recognizes a transportation project standing out for its innovation and technical realization aligned with sustainable mobility objectives.

Veterans Employment Transition Award

VIA Rail was honored in April with the Veterans Employment Transition Award at the annual Celebration of service on Parliament Hill in Ottawa. Bestowed by an all-party committee of Parliamentarian veterans, the award acknowledges the contributions of private and public sector employers valuing the unique experience of our Veterans and Reservists. It was awarded this year to VIA Rail in recognition of our exceptional commitment to implementing innovative programs supporting veterans re-entering the workforce.

VIA Rail recognized in Ottawa for its commitment to employing veterans. Left to right: the Hon. Erin O'Toole; Leona Alleslev, MP; Marc Rousseau, Lt-Col (ret'd) & VIA Rail military consultant; Jacques Fauteux, Lt-Cmdr (ret'd) & former VIA Rail Director, Governmental and Community Relations; the Hon. Karen McCrimmon; and the Hon. Andrew Leslie.

VIA Rail representatives at the Women in Governance gala in September. Left to right: Linda Bergeron, Chief Human Resources Officer; Julie Nadon, Human Resources Consultant; Lucie Tremblay, Deputy Chief of Police; Geneviève Richard, Director, Legal Services; Gabrielle Caron, Legal Counsel; Isabel Piraux, Director, Real Estate; Véronic Meilleur, Senior Legal Counsel; Sylvie Gosselin, Senior Advisor, Corporate Communications; and Françoise Bertrand, Chairperson of the Board of Directors of VIA Rail.

Women in Governance Certification

Continuing in our efforts to become a top-level employer when it comes to gender parity, inclusion and diversity, we are proud to have been awarded Gold certification by Women in Governance, a not-for-profit organization whose mission is to support women in their leadership development, career advancement and access to Board participation. To become certified, organizations must achieve specific results and criteria by adopting measures, practices and programs to promote parity in their respective organizations. We were able to achieved this new level of certification by refining our objectives and re-evaluating some of our current programs.

Our Sustainability Ambition

Anchored by our ambition to become a leading transportation company focused on social, environmental and economic sustainability – we aim to continue to embed sustainability as part of the Corporation's culture and within our strategic workstreams and decision-making processes.

In 2019, we refreshed our sustainability objectives under our social, environmental and economic pillars and continued to take a principle-based approach by aligning our objectives to national and international policies and commitments.
These include:

- Government of Canada's Federal Sustainable Development Strategy 2016-2019;
- World Bank Mobility Goals;
- United Nations Global Compact; and,
- United Nations Sustainable Development Goals (SDGs).

Our Sustainability Pillars

	Social	Environmental	Economic
Our Objectives	Creating a safe, diverse and inclusive workplace that enables our people to thrive	Reducing the environmental impacts of our fleet and buildings	Contributing to Canada's economy and communities through reliable, accessible service
Federal Sustainable Development Strategy	Safe and Healthy Communities	Effective Action on Climate Change	Modern and Resilient Infrastructure
World Bank Mobility Goals	Safety	Green Mobility	Universal Access Efficiency
United Nations Global Compact	Labour Anti Corruption	Environment	Human Rights
United Nations Sustainable Development Goals	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES

Our Sustainability Performance

Reflecting on 2019, we are proud of our accomplishments and the significant progress we made across our business.

Pillar	2019 Performance Highlights	KPI	2019	2018
Social	**Safety:** Strengthened our safety culture and Safety Management System (SMS) effectiveness and reduced our train incident ratio by 42%.	Train incident ratio per million train-miles	0.7	1.2
	Security: Launched a strategic committee on fraud prevention and enforcement and reduced fraud cashback by 50%.	Fraud reduction (%)	-50%	-13%
	Talent Development: Enrolled 10 candidates (5 women, 5 men) in our new Locomotive Engineer Apprenticeship Program and trained +40 leaders on Indigenous Awareness.	Average hours of training per employee	35.3	33.5
	Diversity and Inclusion: Achieved Gold Parity on our Women in Governance Certification, and increased women at the Board level to 62%.	Female Board diversity (%)	62%	55%
Environmental	**Climate Change:** Conducted a climate scenario analysis and strengthened our mitigation and resilience measures. Achieved reductions of 37% in our Scope 1 and 2 GHG emissions when compared to 2005.	Kilograms CO_2e per passenger-kilometre	0.081	0.089
	Resource Management: : Changed coffee cups, plastic cups and utensils on board representing an annual reduction of 7.8 tonnes of waste. Continued to integrate sustainability across our projects.	Projects considering sustainability elements (%)	77%	77%
Economic	**Socio-Economic Prosperity:** Connected +5 Million people to jobs and economic opportunities across +400 communities.	Passengers (in thousands)	5,008	4,744
	Customer Experience: Engaged over 8,000 customers to better understand the customer journey. Continued to maintain a high net promoter score (NPS).	Customer satisfaction net promoter score (NPS)	53.1	53.0
	Community Investment: Supported 1,239 community organizations with in-kind trip donations amounting to $1,618,459.	In-kind trip donations (in thousands $)	1,619	1,949

Key Performance Indicators

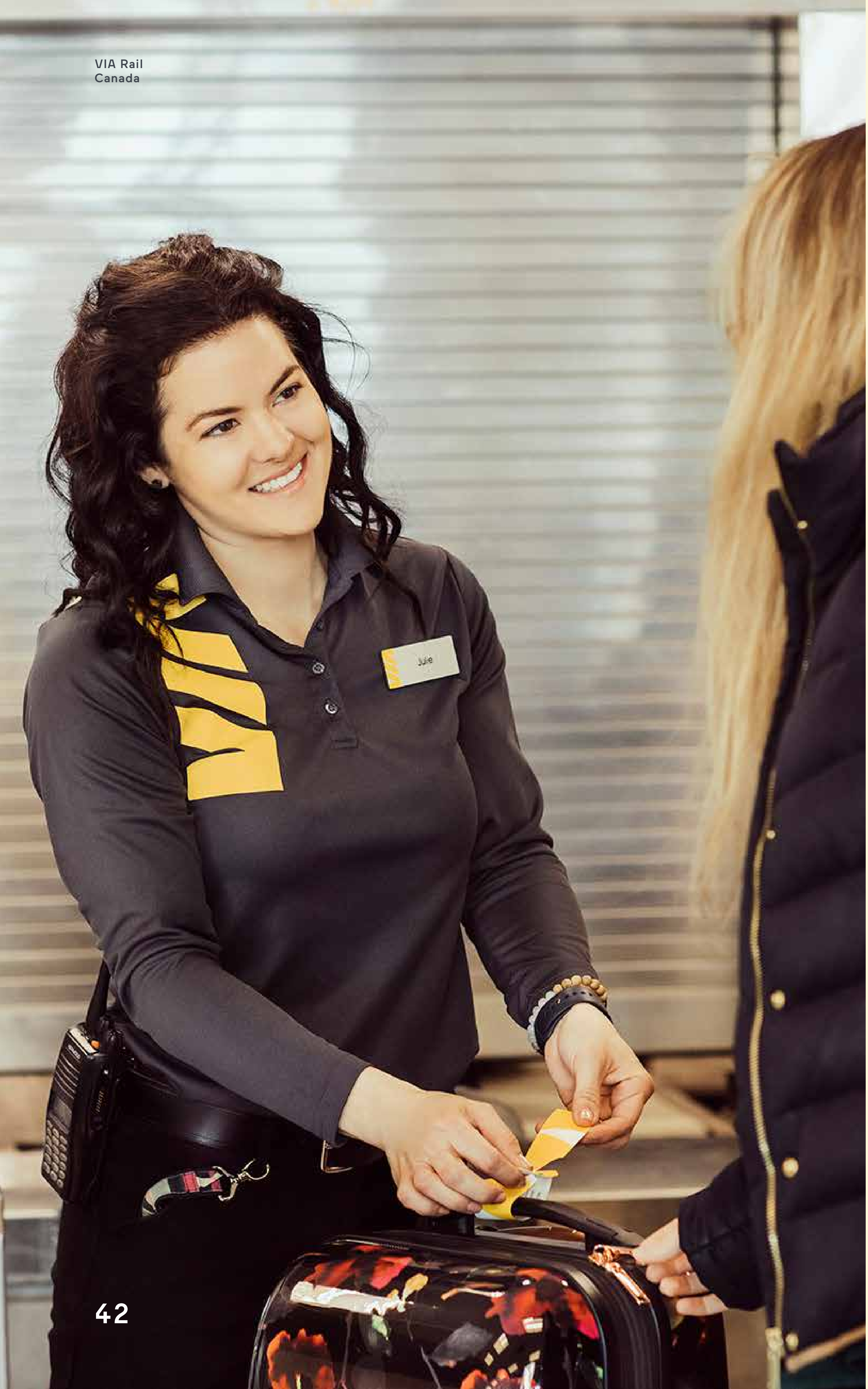
VIA Rail uses the following performance indicators as an integral part of its LEAN Management process. For detailed information on financial and operating performance during the quarter, consult the Management Discussion and Analysis section.

Key Performance Indicators		**Quarters ended December 31**			**Years ended December 31**		
Indicator	**Unit**	**Q4-2019**	**Q4-2018**	**Vs 2018**	**2019**	**2018**	**Vs 2018**
Capacity Deployed *(in millions)* Number of available seat-miles (ASM) (1)	ASM	441	435	1.4%	1,772	1,745	1.5%
Total Revenues / ASM (RASM) Total revenues divided by total ASM	cents	24.14	22.82	🟢	23.20	22.50	🟢
Total Costs (2) **/ ASM** (CASM) Total operating expenses divided by total ASM	cents	40.87	39.23	🟡	38.91	37.67	🟡
RASM / CASM Revenues per available seat-mile divided by the costs per available seat-mile	%	59.1%	58.2%	🟢	59.6%	59.7%	🟡
On-Time Performance On-time performance of all VIA Rail trains	%	67%	71%	🟡	68%	71%	🟡
On-Time Performance – VIA Rail Infrastructure On-time performance of all VIA Rail trains on VIA Rail owned infrastructure	%	94%	94%	🟡	94%	94%	🟡
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	#	1	4	🟢	5	8	🟢
Employee Attendance (excluding LTD) Total hours worked per month divided by the total possible work hours per month	%	93%	94%	🟡	94%	95%	🟡

(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).**


Julie

Governance and Accountability

Enterprise Risk Management

Enterprise Risk Management (ERM) strives to identify, assess and address threats and opportunities that may impact the attainment of the corporate objectives of an organization. The mission of the ERM team is to increase the usefulness and range of VIA Rail's understanding of uncertainty in order to support better risk-informed decisions. This is to say that ERM is not only an activity which is a compliance requirement, but rather a useful methodology to support decision making at VIA.

Enterprise Risk Management

Better integration of Risk Management and Strategic Planning

In 2019, an in-depth review of the corporate risk register was conducted with the Board of Directors prior to the annual strategy session. This was done in order to ensure that VIA's strategy properly addresses the various risks that could impact the attainment of the Corporation's objectives. A prioritization between the various risks was also conducted in order to maintain strong operational focus on the most impactful risks. On a quarterly basis, operational risks are discussed within the various Committees of the Board while strategic risks are treated with the full Board to ensure that proper governance is adhered to and that mitigation plans are progressing.

Modernization Projects

As a Corporation which is in the midst of a transformational agenda, VIA is leveraging risk management as a key activity deeply integrated with its Project Management function. All Business Cases and Vendor Selections for material or complex projects have a detailed risk analysis made by a neutral facilitator, while simpler projects benefit from risk assessments conducted by the project teams. For major initiatives such as the Fleet Renewal Project, a dedicated Program Risk Manager is ensuring that robust risk management is conducted. Existing risk assessments for VIA Rail's modernization projects are maintained on a regular basis in order to assess potential impacts on scope, budget and schedule. Material changes against the project baseline or project decisions are also conducted while considering potential risks.

Improved Risk Management Processes

In 2019, efforts have been focused on both improving and documenting the various Risk Management Processes that are being used. These processes are ERM, Project Risk Management and Resiliency Planning which includes Crisis Management, Emergency Response and Business Continuity. New Key Risk Indicators were developed to better foresee potential changes in the Corporation's risk exposure. As much as possible and to provide better insights, VIA is transitioning toward quantitative measures for its various risks, while not neglecting the more intangible dimensions of risk that are central to the Corporation's vision, such as brand and reputation. Taken together, these processes are vital in ensuring that VIA is operating in a safe and responsible manner, while ensuring customer satisfaction in a context of efficient growth.

The Board of Directors

As of December 31, 2019, the Board of Directors consisted of the Chairperson of the Board, the President and Chief Executive Officer and eleven (11) other directors appointed by the Government of Canada. Of the twelve (12) directors (not including the CEO of VIA Rail), seven (7) are women and five (5) 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.

Twenty (20) Board meetings were held and Committees met a total of twenty-eight (28) times over the course of 2019. The average overall attendance rate of Board members at these meetings was 94%. Cumulative fees paid to Board members during this time period totaled $387,969.

"

I remain convinced, as this year draws to a close, that Canada's passenger rail service is the way of the future, and that VIA Rail has all the elements in place for its leadership in this field to be recognized."

— **Françoise Bertrand**, O.C., C.Q.
Chairperson of the Board of Directors, VIA Rail

Committees of the Board

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

Audit & Pension Investment

Jane Mowat, Chairperson
Miranda Erickson
Gail Stephens
Kenneth Tan
Geneviève Tanguay

Major Projects

Kenneth Tan, Chairperson
Kathy Baig
Daniel Gallivan
Jane Mowat
Vianne Timmons

Human Resources

Gail Stephens, Chairperson
Jonathan Goldbloom
Glenn Rainbird
Vianne Timmons

Commercial & Stakeholders' Relations

Daniel Gallivan, Chairperson
Grant Christoff
Jonathan Goldbloom
Glenn Rainbird
Geneviève Tanguay

Fleet Modernization

Glenn Rainbird, Chairperson
Grant Christoff
Jane Mowat
Geneviève Tanguay

High Frequency Rail

Jonathan Goldbloom, Chairperson
Kathy Baig
Miranda Erickson
Daniel Gallivan
Gail Stephens

The Committees mandates are available under the "Our Company" section of VIA Rail's corpo.viarail.ca 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.

Travel, Hospitality and Conference Expenses

The following travel, hospitality and conference expenses were submitted during 2019	
Françoise Bertrand Chairperson of the Board of Directors	$9,664
Cynthia Garneau President and CEO	$19,996
Yves Desjardins-Siciliano President and CEO (exiting)	$76,365
Executive management committee members (11 members)	$250,524
Board of Directors (13 members)	$104,415
Total VIA Rail (including above expenses)	**$1,516,864**

Executive Compensation

2019 Executive Compensation Range Disclosure[1]

Cash Compensation[2]	President and CEO	Officers
Base Salary Range	$271,000 – $318,800	$189,805 – $309,000
Incentive Program Range	13% – 26%	35% – 50%
Total Compensation Range per Calendar Year	$306,230 – $401,688	$256,237 – $463,500

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, 2019, Executives were: President and Chief Executive 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.

Annual Public Meeting

In May, VIA Rail held its 2019 Annual Public Meeting by webcast in order to reach the largest possible audience and engage with the public. During the meeting, which was simultaneously translated, Françoise Bertrand, the Chairperson of the Board, Cynthia Garneau, President and CEO, and Patricia Jasmin, Chief Financial Officer, shared and discussed results from 2018 along with VIA Rail's plans for the future. Canadians were invited to submit questions about our operations and services in the weeks leading up to the meeting. The top 10, chosen by public vote, were answered live by the President and members of the Executive Committee. Subtitled versions of the Annual Public Meeting are available on VIA Rail's YouTube channel in both official languages.

Access to Information and Privacy

VIA Rail believes that openness and transparency are the starting points in building a relationship of trust with its 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 summer of 2019, VIA Rail submitted its 2018-2019 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, 2018 to March 31, 2019 VIA Rail received 45 new requests under the *Access to Information Act* and the *Privacy Act*. This compared to a total of 49 requests received during the corresponding period from April 2017 to March 2018.

VIA Rail's Annual Public Meeting, held at the Delta Hotel in Montréal, saw executives answer the public's top-picked questions via live webcasts.

Promoting our Official Languages

As part of the celebrations for the 50th anniversary of the Official Languages Act, VIA Rail partnered with the Department of Canadian Heritage to participate in an initiative in schools in western Canada. With the involvement of several young employees in the Canadian public service, this project aimed to raise awareness among students of the advantages of knowing both official languages and the career opportunities that bilingualism opens up for them in the federal public service. VIA Rail is proud to have collaborated on this initiative to encourage youth and help promote the foundations of the Official Languages Act.

Ryan Molina, Station Services Agent at Vancouver station, speaks to students about the history of bilingualism in Canada and the importance of language rights as part of the 50th anniversary of the Official Languages Act.

The Board of Directors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1. **Françoise Bertrand**
Montréal, Quebec

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

2. **Kathy Baig**
Laval, Quebec

Member of the Major Projects Committee, and Member of the High Frequency Rail Committee

3. **Grant Christoff**
Vancouver, British Columbia

Member of the Commercial & Stakeholders' Relations Committee, and Member of the Fleet Modernization Committee

4. **Daniel Gallivan**
Halifax, Nova Scotia

Chairperson of the Commercial & Stakeholders' Relations Committee, Member of the Major Projects Committee, and Member of the High Frequency Rail Committee

5. **Jonathan Goldbloom**
Montréal, Quebec

Chairperson of the High Frequency Rail Committee, Member of the Commercial & Stakeholders' Relations Committee, and Member of the Human Resources Committee

6. **Miranda Keating Erickson**
Calgary, Alberta

Member of the Audit & Pension Investment Committee, and Member of the High Frequency Rail Committee

7. **Jane Mowat**
Toronto, Ontario

Chairperson of the Audit & Pension Investment Committee, Member of the Major Projects Committee, and Member of the Fleet Modernization Committee

8. **Glenn Rainbird**
Belleville, Ontario

Chairperson of the Fleet Modernization Committee, Member of the Commercial & Stakeholders' Relations Committee, and Member of the Human Resources Committee

9. **Gail Stephens**
Victoria, British Columbia

Chairperson of the Human Resources Committee, Member of the Audit & Pension Investment Committee, and Member of the High Frequency Rail Committee

10. **Kenneth Tan**
Richmond, British Columbia

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

11. **Geneviève Tanguay**
Montréal, Quebec

Member of the Audit & Pension Investment Committee, Member of the Commercial & Stakeholders' Relations Committee, and Member of the Fleet Modernization Committee

12. **Vianne Timmons**
Regina, Saskatchewan

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


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Senior Leadership Team

1. **Cynthia Garneau**
   President and Chief Executive Officer
2. **Marc Beaulieu**
   Chief Transportation and Safety Officer
3. **Linda Bergeron**
   Chief Employee Experience Officer
4. **Mario Bergeron**
   Chief Mechanical and Maintenance Officer
5. **Sonia Corriveau**
   Chief Business Transformation Officer
6. **Ben Marc Diendéré**
   Chief Public Affairs and Communications Officer
7. **Patricia Jasmin**
   Chief Financial Officer
8. **Martin R. Landry**
   Chief Commercial Officer
9. **Jean-François Legault**
   Chief Legal & Risk Officer and Corporate Secretary
10. **Robert St-Jean**
    Chief Asset Management Officer

Management Discussion and Analysis

1. Introduction

The Management Discussion and Analysis report outlines the financial results of VIA Rail for the quarter and the year ended December 31, 2019 compared with the quarter and the year ended December 31, 2018. 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 travelers 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)	**2019**	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Financial Performance								
Passenger revenues *(section 4.2)*	**100.0**	92.8	7.2	7.8%	**387.5**	368.6	18.9	5.1%
Other revenues	**6.1**	6.1	-	0.0%	**23.0**	23.6	(0.6)	(2.5%)
Total revenues	**106.1**	98.9	7.2	7.3%	**410.5**	392.2	18.3	4.7%
Operating expenses *(section 4.3)*	**217.5**	211.0	6.5	3.1%	**819.8**	788.1	31.7	4.0%
Operating loss before funding from the Government of Canada and income taxes *(section 4.1)*	**(111.4)**	(112.1)	0.7	0.6%	**(409.3)**	(395.9)	(13.4)	(3.4%)
Operating funding from the Government of Canada *(section 4.1)*	**73.7**	71.4	2.3	3.2%	**280.7**	272.6	8.1	3.0%
Amortization of deferred capital funding	**40.4**	26.5	13.9	52.5%	**117.7**	104.3	13.4	12.8%
Income tax recovery	**(0.2)**	(0.2)	-	0.0%	**-**	-	-	n/a
Net income (loss) for the period	**2.9**	(14.0)	16.9	120.7%	**(10.9)**	(19.0)	8.1	42.6%
Remeasurements of defined benefit components of the pension plans and post-employment benefit plans	**16.9**	(79.4)	96.3	121.3%	**(40.4)**	46.9	(87.3)	(186.1%)
Comprehensive income (loss) for the period	**19.8**	(93.4)	113.2	121.2%	**(51.3)**	27.9	(79.2)	(283.9%)
Financial Position and Cash Flows								
Total assets *(section 4.4)*	**1,597.9**	1,466.9	131.0	8.9%	**1,597.9**	1,466.9	131.0	8.9%
Total liabilities and deferred capital funding *(section 4.4)*	**1,734.8**	1,552.5	182.3	11.7%	**1,734.8**	1,552.5	182.3	11.7%
Cash *(section 4.5)*	**3.4**	14.8	(11.4)	(77.0%)	**3.4**	14.8	(11.4)	(77.0%)
Net cash provided by (used in) operating activities *(section 4.5)*	**5.3**	(15.5)	20.8	134.2%	**(18.4)**	8.2	(26.6)	(324.4%)
Net cash (used in) provided by investing activities *(section 4.5)*	**(12.0)**	(17.4)	5.4	31.0%	**9.5**	3.4	6.1	179.4%
Net cash (used in) financing activities *(section 4.5)*	**(0.6)**	-	(0.6)	n/a	**(2.5)**	-	(2.5)	n/a
Capital funding *(section 4.5)*	**77.7**	45.6	32.1	70.4%	**267.7**	121.8	145.9	119.8%
Key Operating Statistics								
Train-miles operated *(in thousands)*	**1,741**	1,687	54	3.2%	**6,933**	6,825	108	1.6%
Seat-miles *(in millions)*	**441**	435	6	1.4%	**1,772**	1,745	27	1.5%
Passengers-miles *(in millions)*	**267**	250	17	6.8%	**1,055**	992	63	6.4%
Average passenger load factor *(%)*	**61**	58	3	5.2%	**60**	57	3	5.3%
Operating deficit per passenger-mile *(in cents)*	**27.6**	28.6	(1.0)	(3.5%)	**26.6**	27.5	(0.9)	(3.3%)

(Amounts in bracket represent decreases)

Financial highlights

Fourth quarter

- VIA Rail's total revenues increased by 7.3 per cent due to higher passenger revenues in most major train services.
- Operating expenses increased by 3.1 per cent as a result of higher depreciation and amortization as well as annual cost increases in most expense categories, partly offset by an unrealized gain on derivative financial instruments.
- The operating loss decreased by 0.6 per cent because the increase in revenues exceeded the increase in operating expenses.
- Operating funding increased by 3.2 per cent, reflecting the higher amounts required for funded activities.
- VIA Rail generated a comprehensive income of $19.8 million compared to a comprehensive loss of $93.4 million in 2018. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Year

- VIA Rail's total revenues increased by 4.7 per cent due to higher passenger revenues in most major train services.
- Operating expenses increased by 4.0 per cent as a result of higher depreciation and amortization as well as annual cost increases in most expense categories, partly offset by an unrealized gain on derivative financial instruments.
- The operating loss increased by 3.4 per cent due to the fact that the increase in operating expenses exceeded the increase in revenues.
- Operating funding increased by 3.0 per cent, reflecting the higher amounts required for funded activities.
- VIA Rail generated a comprehensive loss of $51.3 million compared to a comprehensive income of $27.9 million in 2018. The variation is due to the remeasurements of the defined benefit components of the pension plans and post-employment benefit plans.

Operating statistics highlights

Fourth quarter

- Train-miles have increased by 3.2 per cent compared to previous year and seat-miles have increased by 1.4 per cent compared to previous year.
- Passenger-miles increased by 6.8 per cent.
- Operating deficit per passenger-mile decreased by 3.5 per cent.

Year

- Capacity increased (1.6 per cent for train-miles and 1.5 per cent for seat-miles) compared to previous year.
- Passenger-miles increased by 6.4 per cent.
- Operating deficit per passenger-mile decreased by 3.3 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)	2019	2018	Var $	Var %	2019	2018	Var $	Var %
Operating loss on a funded basis	**(73.7)**	**(71.4)**	**(2.3)**	**(3.2%)**	**(280.7)**	**(272.6)**	**(8.1)**	**(3.0%)**
NON-FUNDED ADJUSTMENT TO REVENUES								
Adjustment for VIA Préférence points and other	**(0.3)**	(0.2)	(0.1)	(50.0%)	**(0.6)**	(0.4)	(0.2)	(50.0%)
NON-FUNDED ADJUSTMENTS TO EXPENSES								
Pension and other employee future benefits	**(2.2)**	(3.9)	1.7	43.6%	**(11.6)**	(8.3)	(3.3)	(39.8%)
Depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets and loss on disposal	**(41.4)**	(26.9)	(14.5)	(53.9%)	**(121.2)**	(105.5)	(15.7)	(14.9%)
Other provisions for non-cash items	**6.2**	(9.7)	15.9	163.9%	**4.8**	(9.1)	13.9	152.7%
Total non-funded adjustments to expenses	**(37.4)**	(40.5)	3.1	7.7%	**(128.0)**	(122.9)	(5.1)	(4.1%)
Total items not requiring funds from operations	**(37.7)**	**(40.7)**	**3.0**	**7.4%**	**(128.6)**	**(123.3)**	**(5.3)**	**(4.3%)**
Operating loss under IFRS	**(111.4)**	**(112.1)**	**0.7**	**0.6%**	**(409.3)**	**(395.9)**	**(13.4)**	**(3.4%)**
Operating funding from the Government of Canada	**73.7**	71.4	2.3	3.2%	**280.7**	272.6	8.1	3.0%
Amortization of deferred capital funding	**40.4**	26.5	13.9	52.5%	**117.7**	104.3	13.4	12.8%
Net income (loss) before income taxes	**2.7**	**(14.2)**	**16.9**	**119.0%**	**(10.9)**	**(19.0)**	**8.1**	**42.6%**
Income tax recovery	**(0.2)**	(0.2)	-	0.0%	**-**	-	-	0.0%
Net income (loss) under IFRS for the period	**2.9**	**(14.0)**	**16.9**	**120.7%**	**(10.9)**	**(19.0)**	**8.1**	**42.6%**
Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans	**16.9**	(79.4)	96.3	121.3%	**(40.4)**	46.9	(87.3)	(186.1%)
Comprehensive income (loss) for the period	**19.8**	**(93.4)**	**113.2**	**121.2%**	**(51.3)**	**27.9**	**(79.2)**	**(283.9%)**

(Amounts in bracket represent decreases)

Net income (loss) under IFRS for the quarter:

Net income of $2.9 million this quarter, compared to a net loss of $14.0 million last year, representing an improvement of $16.9 million mainly due to:

- Lower operating loss ($0.7 million), attributable to higher revenues of $7.2 million partly offset by higher expenses of $6.5 million.
- Higher amortization of deferred capital funding ($13.9 million).
- Higher government funding received during the quarter ($2.3 million).

Net loss under IFRS for the year:

Net loss of $10.9 million for the year, compared to a net loss of $19.0 million last year, representing an improvement of $8.1 million mainly due to:

- Higher operating loss ($13.4 million), attributable to higher expenses of $31.7 million partly offset by higher revenues of $18.3 million, partly offset by:
- Higher amortization of deferred capital funding ($13.4 million) and
- Higher government funding received during the year ($8.1 million).

Comprehensive income of $19.8 million in the fourth quarter of 2019 and comprehensive loss of $51.3 million for the year ended December 31, 2019 include the following:

Remeasurement of defined benefit component of the pension plans and post-employment benefit plans is composed of quarterly non-cash remeasurements resulting from changes in actuarial assumptions and the return on pension plan assets. Remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of $16.9 million in the fourth quarter of 2019 is due to an actuarial gain of $13.9 million on the defined benefit obligation arising from a 10 basis point increase in the discount rate since September 30, 2019 and to a remeasurement gain of $2.3 million resulting from higher actual rate of return on plan assets. The remeasurement also includes an actuarial gain of $0.6 million due to the increase in discount rate used to determine the post-employment benefit obligation.

The remeasurement of the defined benefit component of the pension plans and post-employment benefit plans of ($40.4) million for the year is due to the decrease in discount rate used to determine the defined benefit obligation (3.10 per cent as at December 31, 2019 compare to 3.90 per cent as at December 31, 2018), which resulted in an actuarial loss of $256.5 million, partly offset by a return on plan assets of $219.3 million during the year. The remeasurement also includes an actuarial loss of $3.3 million due to the decrease in discount rate used to determine the post-employment benefit obligation (3.10 per cent as at December 31, 2019 compared to 4.00 per cent as at December 31, 2018).

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 include the following:

The remeasurement of the defined benefit component of the pension plans of ($79.4) million for the fourth quarter of 2018 is due to an actuarial loss of $26.2 million and to a remeasurement loss of $55.2 million resulting from lower return on assets. The remeasurement also includes an actuarial gain of $2.0 million due to the increase in discount rate used to determine the post-employment benefit obligation.

The remeasurements of the defined benefit component of the pension plans of $46.9 million for the year ended December 31, 2018 was due to the increase of the discount rate used to determine the defined benefit obligation (3.90 per cent as at December 31, 2018 compared to 3.40 per cent as at December 31, 2017) which resulted in an actuarial gain of $119.8 million for the year, partly offset by a lower return on plan assets of ($74.9) million generated during the year. The remeasurement also includes an actuarial gain of $2.0 million due to the increase in discount rate used to determine the post-employment benefit obligation (4.00 per cent as at December 31, 2018 compared to 3.4 per cent as at December 31, 2017).

4.2 Revenues

(in millions of Canadian dollars)	Quarters ended December 31				Years ended December 31			
	2019	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Passenger revenues								
Corridor East	**69.4**	64.6	4.8	7.4%	**255.9**	237.9	18.0	7.6%
Southwestern Ontario (SWO)	**13.7**	13.6	0.1	0.7%	**51.3**	50.6	0.7	1.4%
Québec City – Windsor corridor	**83.1**	**78.2**	**4.9**	**6.3%**	**307.2**	**288.5**	**18.7**	**6.5%**
Ocean	**2.6**	2.2	0.4	18.2%	**11.8**	10.6	1.2	11.3%
Canadian	**10.7**	10.1	0.6	5.9%	**55.2**	59.2	(4.0)	(6.8%)
Regional services	**1.1**	0.5	0.6	120.0%	**4.7**	2.9	1.8	62.1%
Non corridor	**14.4**	**12.8**	**1.6**	**12.5%**	**71.7**	**72.7**	**(1.0)**	**(1.4%)**
Other	**2.5**	1.8	0.7	38.9%	**8.6**	7.4	1.2	16.2%
Total passenger revenues under IFRS	**100.0**	**92.8**	**7.2**	**7.8%**	**387.5**	**368.6**	**18.9**	**5.1%**
Other revenues	**6.1**	6.1	-	0.0%	**23.0**	23.6	(0.6)	(2.5%)
Total revenues under IFRS	**106.1**	**98.9**	**7.2**	**7.3%**	**410.5**	**392.2**	**18.3**	**4.7%**
Adjustment for VIA Préférence points (non-funded) and other	**0.3**	0.2	0.1	50.0%	**0.6**	0.4	0.2	50.0%
TOTAL FUNDED REVENUES	**106.4**	**99.1**	**7.3**	**7.4%**	**411.1**	**392.6**	**18.5**	**4.7%**

(Amounts in bracket represent decreases)

Passengers (in thousands)	Quarters ended December 31				Years ended December 31			
	2019	**2018**	**Var #**	**Var %**	**2019**	**2018**	**Var #**	**Var %**
Passengers								
Corridor East	**956.0**	902.9	53.1	5.9%	**3,634.0**	3,397.6	236.4	7.0%
Southwestern Ontario (SWO)	**292.0**	302.5	(10.5)	(3.5%)	**1,148.5**	1,134.8	13.7	1.2%
Québec City – Windsor corridor	**1,248.0**	**1,205.4**	**42.6**	**3.5%**	**4,782.5**	**4,532.4**	**250.1**	**5.5%**
Ocean	**17.0**	16.7	0.3	1.8%	**78.4**	77.3	1.1	1.4%
Canadian	**15.9**	15.2	0.7	4.6%	**82.0**	82.1	(0.1)	(0.1%)
Regional services	**14.8**	10.9	3.9	35.8%	**64.8**	52.7	12.1	23.0%
Non corridor	**47.7**	**42.8**	**4.9**	**11.4%**	**225.2**	**212.1**	**13.1**	**6.2%**
TOTAL PASSENGERS	**1,295.7**	**1,248.2**	**47.5**	**3.8%**	**5,007.7**	**4,744.5**	**263.2**	**5.5%**

(Amounts in bracket represent decreases)

Passenger revenues

Passenger revenues have increased by $7.2 million (7.8 per cent) during the quarter, the increase is mainly attributable to higher revenues generated in the Corridor, resulting from higher ridership and average revenues.

Passenger revenues have increased by $18.9 million (5.1 per cent) for the year, the increase is also attributable to higher revenues generated in most major train services, resulting from higher ridership, partly offset by lower average fares.

Corridor East

Revenues for the quarter are $4.8 million (7.4 per cent) higher than last year. The increase stems from both higher ridership (5.9 per cent) and increase in average revenues (1.5 per cent).

On a cumulative basis, revenues have increased by $18.0 million (7.6 per cent) for the year. The increase is due to higher passenger volumes (7.0 per cent), combined with improved average revenues (0.6 per cent).

Southwestern Ontario

Revenues have increased by $0.1 million (0.7 per cent) during the quarter, due to higher average revenues (4.4 per cent) partly offset by lower passenger levels (3.5 per cent).

For the year, revenues have increased by $0.7 million (1.4 per cent), and the increase stems from the increase in ridership (1.2 per cent) and higher average revenues (0.2 per cent).

Ocean

Revenues for the quarter have increased by $0.4 million (18.2 per cent). The increase is attributable to both improved average revenues (16.1 per cent) and increased ridership (1.8 per cent).

For the year, revenues increased by $1.2 million (11.3 per cent). The increase is due to the improved average revenues (9.8 per cent) and an increase in ridership (1.4 per cent).

Canadian

Revenues on the *Canadian* have increased by $0.6 million (5.9 per cent), due to increases ridership (4.6 per cent) and improved average revenues (0.3 per cent).

On a cumulative basis, revenues have decreased by $4.0 million (6.8 per cent) for the year, due to the decline in both average revenues (6.6 per cent) and ridership (0.1 per cent). This decline is attributable to the reduction in capacity during the peak summer season (3rd weekly frequency only operated between Edmonton and Vancouver) which resulted in fewer Sleeper class passengers.

Regional services

Revenues on regional services have increased by $0.6 million (120.0 per cent) for the quarter, and by $1.8 million (62.1 per cent) for the year. This increase is due to the return 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

There was an adjustment of $0.3 million recorded during the quarter, which represents a increase of $0.1 million compared to last year. The adjustment for the year is $0.6 million, which represents an increase of $0.2 million (50.0 per cent) compared to prior year. The adjustment is attributable to the increase in the travel credits issued as a consequence of the poor on-time performance of the trains.

Other revenues

Other revenues have remained stable during the quarter and have decreased by $0.6 million (2.5 per cent) for the year. The decrease for the year is attributable to lower station revenues due to the loss of tenants in some stations, as well as lower third-party revenues at the Toronto Maintenance Center.

4.3 Operating Expenses

(in millions of Canadian dollars)	Quarters ended December 31 2019	2018	Var $	Var %	Years ended December 31 2019	2018	Var $	Var %
Compensation and employee benefits	**83.2**	77.4	5.8	7.5%	**340.8**	324.3	16.5	5.1%
Train operations and fuel	**37.9**	37.8	0.1	0.3%	**149.8**	148.0	1.8	1.2%
Stations and property	**10.0**	9.5	0.5	5.3%	**39.2**	39.9	(0.7)	(1.8%)
Marketing and sales	**8.5**	10.4	(1.9)	(18.3%)	**35.0**	37.5	(2.5)	(6.7%)
Maintenance material	**10.6**	9.4	1.2	12.8%	**39.4**	36.5	2.9	7.9%
Professional services	**7.1**	7.0	0.1	1.4%	**20.7**	22.9	(2.2)	(9.6%)
Telecommunications	**6.2**	5.6	0.6	10.7%	**22.7**	20.3	2.4	11.8%
Depreciation and amortization	**37.3**	25.7	11.6	45.1%	**115.0**	100.2	14.8	14.8%
Loss on disposal of property, plant and equipment and intangible assets	**4.1**	1.2	2.9	241.7%	**6.2**	5.3	0.9	17.0%
Unrealized (net gain) net loss on derivative financial instruments	**(2.1)**	13.1	(15.2)	(116.0%)	**(4.0)**	5.9	(9.9)	(167.8%)
Other	**14.7**	13.9	0.8	5.8%	**55.0**	47.3	7.7	16.3%
Total operating expenses under IFRS	**217.5**	**211.0**	**6.5**	**3.1%**	**819.8**	**788.1**	**31.7**	**4.0%**
Non-funded adjustments *(section 4.1)*	**(37.4)**	(40.5)	3.1	7.7%	**(128.0)**	(122.9)	(5.1)	(4.1%)
Total funded expenses	**180.1**	**170.5**	**9.6**	**5.6%**	**691.8**	**665.2**	**26.6**	**4.0%**

(Amounts in bracket represent decreases)
(Explanations are provided for expenses for which quarterly variances are of $3 million or more, or 10 per cent or more)

Total operating expenses increased by $6.5 million (3.1 per cent) for the quarter, and by $31.7 million (4.0 per cent) for the year. The primary variances are:

Compensation and employee benefits

The expenses increased by $5.8 million (7.5 per cent) during the quarter. The increase in compensation costs is mostly associated with annual salary increases, new/vacant positions filled and personal days (new regulation effective since September 2019 according to which employees are allowed 3 paid personal days per year).

The expenses have increased by $16.5 million (5.1 per cent) for the year. The increase for the year is also due to annual salary increases and the impact of new/vacant positions filled, as well as from higher fringe benefit costs (associated with increased compensation costs).

Marketing and sales

The expenses decreased by $1.9 million (18.3 per cent) during the quarter, and by $2.5 million (6.7 per cent) for the year. The decreases for both quarter and year are explained by the fact that additional costs were incurred in 2018 for the HFR (High Frequency Rail) project. No such costs were incurred in 2019.

Maintenance material

The expense increased by $1.2 million (12.8 per cent) for the quarter, and by $2.9 million (7.9 per cent) for the year. Both increases are mainly due to higher costs for materials resulting from additional maintenance work required for the aging rolling stock fleet.

Telecommunications

The expenses increased by $0.6 million (10.7 per cent) during the quarter and by $2.4 million (11.8 per cent) for the year. These increases are mainly due to the additional costs incurred to support and maintain newly implemented systems and the costs incurred to deploy Cloud based applications.

Depreciation of property, plant and equipment and of right-of-use assets and amortization of intangible assets

The expenses increased by $11.6 million (45.1 per cent) during the quarter and by $14.8 million (14.8 per cent) for the year. These increases are mainly due to the revision of useful lives for certain rolling stock and also to the depreciation of right-of-use assets starting on January 1, 2019.

Loss on disposal of property, plant and equipment and intangible assets

The expenses increased by $2.9 million (241.7 per cent) during the quarter and have increased by $0.9 million (17.0 per cent) for the year. Both increases are mainly due to some components of HEP cars that were retired as part of the Heritage program.

Unrealized (net gain) net loss on derivative financial instruments

Net gain of $2.1 million for the quarter and net gain of $4.0 million for the year compared to a net loss of $13.1 million for the quarter ended December 31, 2018 and a net loss of $5.9 million for the year 2018. As at December 31, 2019, contract prices are below market prices, explaining the gain of $4.0 million and market prices have increased compared to what they were as at September 30, 2019 justifying the gain during the fourth quarter.

Other

The expenses increased by $0.8 million (5.8 per cent) for the quarter and by $7.7 million (16.3 per cent) for the year. The increase of $7.7 million for the year is due to higher on-train product costs (additional ridership and higher unit costs) and lower realized gains on derivative financial instruments.

4.4 Financial Position

(in millions of Canadian dollars)	December 31, 2019	December 31, 2018	Var $	Var %
ASSETS				
Current assets	**128.4**	102.4	26.0	25.4%
Advance on contract	**63.6**	74.4	(10.8)	(14.5%)
Property, plant and equipment	**1,023.2**	911.4	111.8	12.3%
Right-of-use assets	**32.3**	-	32.3	n/a
Intangible assets	**345.2**	360.2	(15.0)	(4.2%)
Other	**0.8**	0.9	(0.1)	(11.1%)
Employee benefit assets	**4.4**	17.6	(13.2)	(75.0%)
Total assets	**1,597.9**	**1,466.9**	**131.0**	**8.9%**
LIABILITIES				
Current liabilities	**209.2**	255.5	(46.3)	(18.1%)
Other payables	**9.4**	-	9.4	n/a
Lease liabilities	**30.3**	-	30.3	n/a
Employee benefit liabilities	**78.9**	40.0	38.9	97.3%
Total liabilities	**327.8**	**295.5**	**32.3**	**10.9%**
Deferred capital funding	**1,407.0**	1,257.0	150.0	11.9%
Share capital	**9.3**	9.3	-	0.0%
Accumulated deficit, beginning of year	**(94.9)**	(122.8)	27.9	22.7%
Net loss	**(10.9)**	(19.0)	8.1	42.6%
Other comprehensive income (loss)	**(40.4)**	46.9	(87.3)	(186.1%)
Accumulated deficit, end of year	**(146.2)**	**(94.9)**	**(51.3)**	**(54.1%)**
Total liabilities and shareholder's deficit	**1,597.9**	**1,466.9**	**131.0**	**8.9%**

The main changes in the Statement of Financial Position result from the following major elements:

Assets

Total assets have increased by $131.0 million due mainly to the increase in the right-of-use assets due to the application of IFRS 16 as at January 1, 2019 as well as to acquisitions of property, plant and equipment partly offset by lower employee benefit assets and lower intangible assets.

Liabilities and deferred capital funding

The current liabilities have decreased by $46.3 million as a result of the payment of an advance on contract, while the lease liabilities have increased by $30.3 due to the application of IFRS 16. Employee benefit liabilities have also increased by $38.9 million because of the decrease in discount rates. Deferred capital funding has increased by $150.0 million mainly due to government funding invoiced for the Fleet Replacement Program.

Other comprehensive (loss) income

Other comprehensive loss decreased due to the decrease 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)	**2019**	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Balance, beginning of period	**10.7**	47.7	(37.0)	(77.6%)	**14.8**	3.2	11.6	362.5%
Net cash provided by (used in) operating activities	**5.3**	(15.5)	20.8	134.2%	**(18.4)**	8.2	(26.6)	(324.4%)
Net cash (used in) provided by investing activities	**(12.0)**	(17.4)	5.4	31.0%	**9.5**	3.4	6.1	179.4%
Net cash (used in) financing activities	**(0.6)**	-	(0.6)	n/a	**(2.5)**	-	(2.5)	n/a
Balance, end of period	**3.4**	**14.8**	**(11.4)**	**(77.0%)**	**3.4**	**14.8**	**(11.4)**	**(77.0%)**

(Amounts in bracket represent decreases)

Operating activities

Net cash increased by $20.8 million (134.2 per cent) for the quarter and decreased by $26.6 million (324.4 per cent) for the year. The increase for the quarter is mainly due to the variance of $19.9 million in working capital items. The decrease for the year is mainly due to the variance of ($30.6) million in working capital items, as shown in Note 25 of the audited financial statements.

Investing activities

Net cash increased by $5.4 million for the quarter and increased by $6.1 million for the year. Both increases are mainly due to the variance in the amount of government funding related to the acquisition of property, plant and equipment, intangible assets and advance on contract.

Financing activities

Net cash decreased by $0.6 million for the quarter and by $2.5 million for year due to the application of IFRS 16. This decrease is offset by an increase in cash provided by operating activities, resulting from a lower lease expense. Globally, IFRS 16 had no impact on the Corporation's cash flows.

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

Funded capital investments

Property, plant and equipment and intangible assets totaled $1,368.4 million as at December 31, 2019, which is an increase of $96.8 million compared to the balance as at December 31, 2018.

Funded capital investments of $119.0 million were made during the quarter and $205.2 million were invested during the year. They exclude an amount of $9.4 million which will be invoiced to the Government of Canada in the coming years (refer to note 25 of the audited Financial Statements). Total investments for the year include an amount of $63.6 million relating to an advance on contract which was invoiced during the year and will be transferred to property, plant and equipment in the future years.

	Quarters ended December 31				Years ended December 31			
(in millions of Canadian dollars)	**2019**	**2018**	**Var $**	**Var %**	**2019**	**2018**	**Var $**	**Var %**
Equipment	**8.0**	19.3	(11.3)	(58.5%)	**41.6**	46.0	(4.4)	(9.6%)
Infrastructure	**10.4**	10.4	-	0.0%	**18.4**	27.1	(8.7)	(32.1%)
Information technology	**6.6**	5.1	1.5	29.4%	**19.0**	18.4	0.6	3.3%
Stations	**8.0**	3.8	4.2	110.5%	**22.8**	17.7	5.1	28.8%
Fleet Replacement Program	**82.7**	-	82.7	n/a	**91.7**	-	91.7	n/a
Other	**3.3**	7.0	(3.7)	(52.9%)	**11.7**	14.6	(2.9)	(19.9%)
Capital investments	**119.0**	**45.6**	**73.4**	**161.0%**	**205.2**	**123.8**	**81.4**	**65.8%**
Advance on contract – Fleet Replacement Program	**(40.2)**	-	(40.2)	n/a	**63.6**	-	63.6	n/a
Total	**78.8**	**45.6**	**33.2**	**72.8%**	**268.8**	**123.8**	**145.0**	**117.1%**

(Amounts in bracket represent decreases)

Note: As at December 31, 2019, there is a $1.1 million (December 31, 2018: $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 ($267.7 million).

The most significant investments made during the quarter were for the HEP Corridor Economy and Business cars rebuild projects, the mid-life overhaul of locomotives, various bridge and deck improvements, as well as in the infrastructure track program on infrastructure owned by VIA Rail.

The most significant projects made during the year include the ones made during the fourth quarter, as well as the investments made in Winnipeg station (escalator & stair replacement), in Halifax station (upgrades to exterior and interior) as well as in Ottawa station (East and West wing upgrades).

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, 2018.

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 has, over the last few years, 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 has been completed 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's current funding envelope expires at the end of 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 completed 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 and is currently recruiting for additional classes.

↑ 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: • Deterioration of on-time performance • Infrastructure access challenges (freight congestion, speed issues) • Reduced capacity due to aging fleet • Competition • Deteriorating economic environment (recession or other decisions to limit travel).	↑	VIA Rail generated growth in revenues for a sixth 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 has been allowed on CN infrastructure and is using all its available rolling stock, therefore the only potential increase in capacity can be achieved through additional optimization of cycling.
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. These initiatives however cannot fully protect VIA Rail against the rising maintenance costs of its aging fleet. With regards to pension, the financial situation has remained favorable in 2019. The Corporation forecasts that the funded basis valuations will continue to show a surplus position. This results mainly from significant investment gains registered in 2019 that kept pace with declining discount rates which increased liability valuations.

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 and the Corporation is working closely with its chosen supplier on the advancement of this project with the first trainset scheduled to be delivered in 2022. In the meantime, VIA Rail continues to optimize the utilization of the current equipment until the new fleet is introduced. The Corridor capacity protection plan is on-going 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 during the past few years, resulting in declining on-time performance, which resulted in increased operating costs and which could lead to lower customer satisfaction and revenue generation.	↑	The changes made for the operation of the *Canadian* during peak summer month have had a positive impact on on-time performance and the on-time performance on the Corridor has remained relatively stable. VIA Rail continues to work with host railways to minimize delays and their impact on customers. VIA Rail's agreements with major third-party infrastructure owners will expire in 2021 and at this point the Corporation has no visibility on the terms and conditions of these agreements.

↑ Increasing → Stable ↓ Decreasing

6. Subsequent events

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

The outbreak of the COVID-19, as well as the February 2020 rail blockades, have negatively impacted travel and will affect VIA Rail's financial performance in 2020. Although the full impact of these events is unknown at this time, current trends show lower ridership and revenue and greater refunds for sales generated before December 31, 2019. In addition, adverse developments in capital markets during the first quarter of 2020 related to the spread of the COVID-19 are negatively impacting the fair value of the employee benefit assets. Should capital markets fail to recover to some extent later in the year, employee benefit liabilities for 2020 and subsequent years would increase.

The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on both the financial results of the Corporation and its employee benefit assets and liabilities, however it is likely that the Corporation will have additional funding requirements in 2020 and future periods.

7. Outlook

2019 was a very significant year for VIA Rail's with revenues exceeding the $400 million mark and with more than 5.0 million passengers. This performance is the result of the Corporation's actions over the past few years to add frequencies and optimize capacity. With no ability to add frequencies and fewer opportunities to optimize capacity, revenue growth is becoming more challenging.

In addition to the revenue growth challenge, the subsequent events which occurred in early 2020 will have an adverse impact the Corporation's 2020 financial results.

In this context, management will deploy plans to contain costs to minimize the impact of those events.

Meanwhile the teams remain focused on maximizing fleet availability and on the completion of the capital investment projects including the Heritage Program and Fleet Replacement Program to secure current and future capacity, as well as the new reservation system project.

Financial Statements

Management's Responsibility Statement

Year ended December 31, 2019

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, 2019 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 KPMG 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.

Cynthia Garneau

Cynthia Garneau
President and Chief Executive Officer

Patricia Jasmin

Patricia Jasmin, CPA, CA
Chief Financial Officer

Montréal, Canada
March 24, 2020

Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Opinion

We have audited the financial statements of VIA Rail Canada Inc., which comprise the statement of financial position as at 31 December 2019, 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 2019, 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, except for the change in the method of accounting for leases as explained in Note 3 to the financial statements, 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 Interim Auditor General of Canada

Montréal, Canada
24 March 2020

Financial Statements

Statement of Financial Position

As at December 31 (in thousands of Canadian dollars)	2019	2018
CURRENT ASSETS		
Cash	$ 3,355	$ 14,823
Trade and other receivables *(Note 9)*	87,808	49,051
Other assets *(Note 10)*	5,193	6,107
Derivative financial instruments *(Note 11)*	834	620
Materials *(Note 12)*	30,082	28,751
Asset Renewal Fund *(Note 13)*	1,096	3,096
	128,368	102,448
NON-CURRENT ASSETS		
Advance on contract *(Note 14)*	63,582	74,399
Property, plant and equipment *(Note 15)*	1,023,194	911,374
Right-of-use assets *(Note 18)*	32,291	-
Intangible assets *(Note 16)*	345,152	360,190
Asset Renewal Fund *(Note 13)*	873	873
Employee benefit assets *(Note 21)*	4,435	17,634
	1,469,527	1,364,470
Total Assets	$ 1,597,895	$ 1,466,918
CURRENT LIABILITIES		
Trade and other payables *(Note 17)*	$ 158,593	$ 203,852
Lease liabilities *(Note 18)*	2,771	-
Provisions *(Note 19)*	8,399	9,423
Derivative financial instruments *(Note 11)*	1,546	5,287
Deferred revenues *(Note 20)*	37,928	36,961
	209,237	255,523
NON-CURRENT LIABILITIES		
Other payables	9,404	-
Lease liabilities *(Note 18)*	30,300	-
Employee benefit liabilities *(Note 21)*	78,878	40,020
	118,582	40,020
Deferred capital funding *(Note 23)*	1,407,023	1,256,975
SHAREHOLDER'S DEFICIENCY		
Share capital *(Note 24)*	9,300	9,300
Accumulated deficit	(146,247)	(94,900)
	(136,947)	(85,600)
Total Liabilities and Shareholder's deficiency	$ 1,597,895	$ 1,466,918

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

Françoise Bertrand
Chairperson of the Board of Directors

Cynthia Garneau

Cynthia Garneau
President and Chief Executive Officer

Financial Statements

Statement of Comprehensive Income

Year ended December 31 (in thousands of Canadian dollars)	**2019**	2018
REVENUES *(Note 6)*		
Passenger	$ **387,443**	$ 368,582
Other	**23,031**	23,617
	410,474	392,199
EXPENSES		
Compensation and employee benefits	**340,801**	324,286
Train operations and fuel	**149,842**	147,983
Stations and property	**39,159**	39,887
Marketing and sales	**34,986**	37,528
Maintenance material	**39,354**	36,497
On-train product costs	**28,671**	24,112
Operating taxes	**11,792**	10,767
Professional services	**20,653**	22,905
Telecommunications	**22,687**	20,263
Depreciation of property, plant and equipment *(Note 15)*	**86,746**	72,694
Depreciation of right-of-use assets *(Note 18)*	**3,335**	-
Amortization of intangible assets *(Note 16)*	**24,967**	27,518
Loss on disposal of property, plant and equipment *(Note 15)*	**5,033**	4,974
Loss on disposal of intangible assets *(Note 16)*	**1,119**	333
Unrealized (net gain) net loss on derivative financial instruments	**(3,955)**	5,851
Realized (net gain) on derivative financial instruments	**(680)**	(3,375)
Interest expense on lease liabilities	**952**	-
Other	**14,335**	15,851
	819,797	788,074
OPERATING LOSS BEFORE FUNDING FROM THE GOVERNMENT OF CANADA AND INCOME TAXES	**(409,323)**	(395,875)
Operating funding from the Government of Canada *(Note 7)*	**280,743**	272,565
Amortization of deferred capital funding *(Note 23)*	**117,665**	104,327
Net loss before income taxes	**(10,915)**	(18,983)
Income tax (recovery) expense *(Note 22)*	**(26)**	27
NET LOSS FOR THE YEAR	**(10,889)**	(19,010)
Other comprehensive income		
Amounts not to be reclassified subsequently to net income (net of tax): Remeasurements of the defined benefit component of the pension plans and post-employment benefit plans *(Note 21)*	**(40,458)**	46,925
	(40,458)	46,925
COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ **(51,347)**	$ 27,915

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)		**2019**		**2018**
SHARE CAPITAL	**$**	**9,300**	$	9,300
Accumulated deficit				
Balance, beginning of year		**(94,900)**		(122,815)
Net loss for the year		**(10,889)**		(19,010)
Other comprehensive (loss) income for the year		**(40,458)**		46,925
Balance, end of year		**(146,247)**		(94,900)
Total Shareholder's deficiency	**$**	**(136,947)**	$	(85,600)

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)	**2019**	**2018**
OPERATING ACTIVITIES		
Net loss for the year	**$ (10,889)**	$ (19,010)
Adjustments to determine net cash (used in) provided by operating activities:		
Depreciation of property, plant and equipment *(Note 15)*	**86,746**	72,694
Depreciation of right-of-use assets *(Note 18)*	**3,335**	-
Amortization of intangible assets *(Note 16)*	**24,967**	27,518
Loss on disposal of property, plant and equipment *(Note 15)*	**5,033**	4,974
Loss on disposal of intangible assets *(Note 16)*	**1,119**	333
Amortization of deferred capital funding *(Note 23)*	**(117,665)**	(104,327)
Interest income	**(884)**	(786)
Interest paid	**(952)**	-
Unrealized (net gain) net loss on derivative financial instruments	**(3,955)**	5,851
Post-employment and other employee benefit expenses *(Note 21)*	**39,239**	39,845
Employer post-employment and other employee benefit contributions *(Note 21)*	**(27,640)**	(31,588)
Interest expense on lease liabilities	**952**	-
Net change in working capital items *(Note 25)*	**(17,853)**	12,687
Net cash (used in) provided by operating activities	**(18,447)**	8,191
INVESTING ACTIVITIES		
Government funding received related to acquisition of property, plant and equipment and intangible assets (*Notes 9, 23 and 25*)	**184,661**	108,726
Government funding received related to an advance on contract *(Note 23)*	**63,582**	-
Cash drawdown from the Asset Renewal Fund *(Note 13)*	**2,000**	4,684
Acquisition of property, plant and equipment and intangible assets *(Notes 15, 16, 17 and 25)*	**(178,013)**	(110,759)
Payment of an advance on contract *(Note 14)*	**(63,582)**	-
Interest received	**884**	786
Proceeds from the disposal of property, plant and equipment and intangible assets	**2**	-
Net cash provided by investing activities	**9,534**	3,437
FINANCING ACTIVITIES		
Payment of the lease liabilities	**(2,555)**	-
Net cash (used in) financing activities	**(2,555)**	-
CASH		
Increase (decrease) during the year	**(11,468)**	11,628
Balance, beginning of year	**14,823**	3,195
Balance, end of year	**$ 3,355**	$ 14,823
REPRESENTED BY:		
Cash	**$ 3,355**	$ 14,823
	$ 3,355	$ 14,823

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 strive 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 24, 2020.

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 requires 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 16 – *Leases* – The Corporation has applied IFRS 16 – *Leases* with a date of initial application of January 1, 2019. IFRS 16 replaces existing guidance under IAS 17 – *Leases*, IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*, SIC-15 – *Operating Leases Incentives*, and SIC-27 – *Evaluating the Substance of Transactions in the Legal Form of a Lease*. IFRS 16 objectives are to provide more transparency and improve comparability between corporations.

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 changes how lessor accounts for sublease. However, the Corporation has no sublease. Therefore, IFRS 16 did not have any impact on leases in which the Corporation is the lessor.

IFRS 16 introduces significant changes to the lessee's accounting by removing the distinction between operating and finance lease requirements and requiring the recognition of a right-of-use asset and a lease liability at the commencement date for all leases, except for short-term leases and leases of low value assets.

The Corporation has elected to use the modified retrospective approach, under which the cumulative effect of initial application is recognized in accumulated deficit at January 1, 2019. The comparative financial information for the period ended December 31, 2018 was not adjusted in the period ended December 31, 2019.

As part of the initial application of IFRS 16, the Corporation chose to apply the practical expedient which allows to adjust right-of-use assets by the amount of any provision for onerous leases recognized in the Statement of Financial Position immediately before the date of initial application as an alternative to performing an impairment review. The Corporation recorded no amount for onerous leases at the date of initial application.

The Corporation has chosen to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value. For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease in the Statement of Comprehensive Income.

The Corporation also applies the available practical expedients wherein it:

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Nature of the effect of the adoption of IFRS 16

The Corporation has lease contracts for various assets including lands, stations, facilities, office spaces and information technology equipment. Before the adoption of IFRS 16, the Corporation (as a lessee) classified leases solely as operating leases. In an operating lease, the leased property was not capitalized, and the payments were recognized as an expense in the Statement of Comprehensive Income. As required by IFRS 16, expenses of contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are recorded as Right-of-use assets and Lease liabilities in the Statement Financial Position and are no longer part of commitments.

The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

As at January 1, 2019, 17 leases for a total value of $35.0 million were recognized as right-of-use assets and lease liabilities, IFRS 16 did not have any impact on the opening balance of accumulated deficit. Due to the application of IFRS 16, the Corporation's interest, depreciation and amortization expenses have increased while the stations and property expenses and the telecommunication expenses have decreased. The impact of adopting this standard on the Statement of Cash Flows is neutral, however the principal repayment of the lease liabilities will be presented in financing activities under IFRS 16, whereas previously it was presented in operating activities.

At the date of initial application, the incremental borrowing rates applied to lease liabilities vary from 2.30 per cent to 3.27 per cent according to the duration of the lease while the weighted average incremental borrowing rate is 3.00 per cent.

The Corporation's accounting policies and details about Right-of-use assets and leases liability are described in Notes 4 e), Note 4 h), Note 5 d) and Note 18.

The amount of commitments relating to operating leases is reduced significantly because the non-cancellable operating leases are considered as leases under IFRS 16 and are presented in the Statement of Financial Position.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

(in millions of Canadian dollars)	
Non-cancellable operating lease commitments as at December 31, 2018	20.4
Effect of discounting non-cancellable operating lease commitments as at January 1, 2019	(0.6)
Non-cancellable operating lease commitments related to contracts not included in lease liabilities according to IFRS 16	(11.4)
Contracts considered under IFRS 16 as leases that were not part of commitments as at December 31, 2018 as they were cancellable	26.6
Lease liabilities as at January 1, 2019	**35.0**

4. 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 revenues excluding unrealized gains and losses on financial instruments, non-cash employee benefits, non-cash transactions relating to property, plant and equipment, right-of-use assets, intangible assets, lease liabilities, 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 include investment income are recognized as they are earned. For third-party servicing and rental income and other revenues, 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.

iii) Rental income

The Corporation enters into lease agreements as a lessor with respect to some of its stations and installations. Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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.

Projects in progress are recorded at cost and include direct costs of construction, materials, direct labour and overhead.

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.

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

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 is 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 cost of periodic major building repair programs is 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)*	**5 to 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" in the Statement of Comprehensive Income.

e) Right-of-use assets

The Corporation leases several assets including lands, stations, facilities, office spaces and information technology equipment in the normal course of its business.

The Corporation assesses whether a contract is or contains a lease, at inception of a contract. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Corporation recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases who at the commencement date, have a term of 12 months or less) and leases of low-value assets.

The Corporation recognizes right-of-use assets at the commencement date of a lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the liabilities. The cost of right-of-use assets includes the amount of lease liability recognized, initial direct cost incurred, lease payments made at or before the commencement date, less any lease incentives received and an estimate of costs of dismantling and removing the underlying asset, if any.

Right-of-use assets are depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If a lease transfers ownership of the underlying asset or if the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

f) Intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortization and accumulated impairment losses.

Projects in progress are recorded at cost and include direct costs of development, direct labour and overhead.

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.

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

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

Gains and losses on disposals of intangible assets are determined by comparing the proceeds with the carrying amount of the asset and are recorded under "Loss on disposal of intangible assets" in the Statement of Comprehensive Income.

g) 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.

The carrying amount of the Corporation's property, plant and equipment, right-of-use assets 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, right-of-use assets and intangible assets. These operations are funded by parliamentary appropriations, revenues from passengers and revenues from other sources. 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.

h) Lease liabilities

The Corporation as a lessee:
The Corporation recognizes at the commencement date of the lease, a lease liability which is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the lease's implicit rate. If this rate cannot be readily determined, the Corporation uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Corporation uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The Corporation recognizes non-lease components as expenses and record these expenses on a straight-line basis.

The lease liability is presented as a separate line in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Corporation remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to variations in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to fluctuations in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Corporation's accounting policies as a lessor are describe in Note 4 b) Revenue recognition, iii) Rental income.

Short-term leases and leases of low-value assets
The Corporation applies the short-term lease recognition exemption to its short-term leases (i.e. those with a lease term of 12 months or less from the commencement date and who do not contain a purchase option). The Corporation also applies the low-value asset recognition exemption to leases that are considered of low value (such as point-of-sale terminal). For these leases, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

i) 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.

j) 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.

k) Employee benefits

i) Pension plans

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 is 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) Post-employment benefits

Post-employment benefits include post-retirement medical and life insurance benefits.

Remeasurements arising from post-employment benefit plans comprised of changes in demographic assumptions, changes in financial assumptions and experience adjustments are recognized in other comprehensive income (loss) in the year they are incurred.

iii) 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.

  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.

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

- 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.

l) 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.

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.

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

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 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, lease liabilities, derivative financial instruments and other payables.

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, lease liabilities 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 include 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 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 gain) net loss 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/loss on remeasurement, if any
Amortized cost	○ Cash ○ Trade and other receivables ○ Asset Renewal Funds ○ Trade and other payables ○ Lease liabilities ○ 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

m) 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.

5. 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, 2019, management assessed that the revised useful lives represent the expected utility of the assets to the Corporation. The impact of the revised useful lives is presented in Note 15.

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 the Corporation's 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) Leases liabilities

i) Estimate of the lease term

When the Corporation recognizes a lease as a lessee, it assesses the lease term based on the conditions of the lease. The lease term is the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Corporation has several lease contracts that include extension and termination options. The Corporation applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Corporation reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. As such, a change in the assumption used could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

ii) Determining the discount rate

Accounting standards require the Corporation to discount the lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate (IBR). The Corporation cannot readily determine the interest rate implicit in its leases, therefore, it uses its incremental borrowing rate to measure lease liabilities. The determination of the IBR requires the use of various assumptions which, if different that those being used, could result in a significant impact in the amount recognized as right-of-use asset and lease liability, as well as in the amount of depreciation of right-of-use asset and interest expense on lease liability.

e) 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.

f) 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.

g) 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.

h) Determining the value of the projects in progress

Management uses judgement in determining the percentage of completion of the projects in progress as well as the value of the activities performed for these projects in progress. Management reviews progress of these projects on a regular basis. Percentage of completion and value of the projects in progress reflect management's best assessment and are assess by taking in consideration all information available at the reporting date. Actual amounts of projects in progress could differ from best assessment of management. Differences from estimates and actual amount is eliminated once projects in progress are completed and transferred to property, plant and equipment as actual completion would be known.

6. Revenues

The following table disaggregates the revenue by major sources:

(in millions of Canadian dollars)	2019	2018
REVENUES		
Transportation and accommodation	**375.7**	356.9
On-train food and beverages and other	**11.8**	11.7
Revenues from passengers	**387.5**	368.6
Investment income	**0.9**	0.8
Third-party servicing	**9.5**	9.6
Rental income and other *(Note 18)*	**12.6**	13.2
Revenues from other sources	**23.0**	23.6
Total revenues	**410.5**	392.2

7. 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)	2019	2018
Operating loss before funding from the Government of Canada and income taxes	**409.3**	395.9
Items requiring operating funds:		
Income tax expense	**-**	-
Items (not requiring) not providing operating funds:		
Depreciation of property, plant and equipment	**(86.7)**	(72.7)
Depreciation of right-of-use assets	**(3.3)**	-
Amortization of intangible assets	**(25.0)**	(27.5)
Loss on disposal of property, plant and equipment	**(5.0)**	(5.0)
Loss on disposal of intangible assets	**(1.1)**	(0.3)
Post-employment and other employee benefits contributions in excess of expenses	**(11.6)**	(8.3)
Unrealized net gain (net loss) on derivative financial instruments	**4.0**	(5.9)
Non-cash transactions relating to lease liabilities	**3.5**	-
Interest expense on lease liabilities	**(1.0)**	-
Adjustment for accrued compensation	**(1.7)**	(3.3)
Adjustment for VIA Préférence	**(0.1)**	(0.3)
Other	**(0.6)**	-
Operating funding from the Government of Canada	**280.7**	272.6

8. Classification of Financial Instruments

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

	2019		
	Carrying value		Fair value
(in millions of Canadian dollars)	FVTPL	Amortized cost	
Financial assets:			
Cash	–	3.4	3.4
Trade and other receivables	–	7.6(1)	7.6
Derivative financial instruments	0.8(2)	–	0.8
Asset Renewal Fund	–	2.0	2.0
Total	0.8	13.0	13.8
Financial liabilities:			
Trade and other payables	–	148.7(3)	148.7
Current lease liabilities	–	2.8	2.8
Derivative financial instruments	1.5(2)	–	1.5
Other payables	–	9.4	9.4
Non-current lease liabilities	–	30.3	30.3
Total	1.5	191.2	192.7

	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

FVTPL – Fair value through profit or loss.

(1) See detail in Note 9.

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

(3) See detail in Note 17.

9. Trade and Other Receivables

The trade and other receivables balance includes the following:

(in millions of Canadian dollars)	2019	2018
Trade	3.5	2.7
Other receivables	4.3	5.4
Loss allowance	(0.2)	(0.1)
Trade and other receivables classified at Amortized cost	7.6	8.0
Amount receivable from the Government of Canada – Operating funding	36.1	13.7
Amount receivable from the Government of Canada – Capital funding *(Note 25)*	43.0	23.6
Sales taxes	1.1	3.7
Total trade and other receivables	87.8	49.0

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 $1.5 million (December 31, 2018: $1.1 million) at the closing date. The maturity of these receivables is detailed in the following table:

(in millions of Canadian dollars)	2019	2018
Not impaired and past due by:		
0 to 30 days	1.1	0.4
31 to 60 days	0.3	0.7
61 to 90 days	-	-
Over 90 days	0.1	-
Total	1.5	1.1

The Corporation has recognized in the current year an amount of $0.7 million of impairment loss arising from contracts with customers and other receivables, which is presented in the line "Other" in the Statement of Comprehensive Income (December 31, 2018: $1.2 million).

10. Other Assets

The other assets balance includes the following:

(in millions of Canadian dollars)	2019	2018
Prepaids	4.1	4.0
Advance on contracts	1.1	2.1
Total other assets	5.2	6.1

11. Derivative Financial Instruments

The Corporation uses commodity swaps where it exchanges cash payments based on variations 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 values of the derivative financial instruments are as follows:

	2019		2018	
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	**10,584**	**0.8**	3,528	0.6
Liabilities	**7,560**	**1.5**	14,616	5.3

As at December 31, 2019, the commodity swaps in CAD have a fixed price per U.S. gallon between 2.374 CAD and 3.040 CAD (December 31, 2018: 1.950 USD for commodity swaps in USD and between 2.030 CAD and 3.100 CAD for commodity swaps in CAD). The maturity dates range between 2020 to 2021 (December 31, 2018: 2019 to 2020 for both currencies). These financial instruments have a monthly settlement schedule.

	2019		2018	
Forward foreign exchange contracts	**Notional amount USD** (millions)	**Fair value CAD** (millions)	**Notional amount USD** (millions)	**Fair value CAD** (millions)
Assets	**-**	**-**	-	-
Liabilities	**-**	**-**	2.0	-

As at December 31, 2019, there were no forward contracts (December 31, 2018: 1.366 in USD with a maturity date 2019).

Amounts recognized in the Statement of Financial Position:

	2019	2018
	Fair value CAD (millions)	**Fair value CAD** (millions)
Total assets	**0.8**	0.6
Total liabilities	**1.5**	5.3

12. Materials

The materials balance includes the following:

(in millions of Canadian dollars)	2019	2018
Spare parts	31.4	28.0
Provision for obsolete inventory	(3.4)	(3.1)
Net spare parts	28.0	24.9
On-train products	1.8	3.6
Fuel	0.3	0.3
Total materials	30.1	28.8

The cost of materials recorded as an expense during the year amounted to $40.1 million, including an amount of $7.4 million that were transferred to property, plant and equipment (December 31, 2018: $41.5 million, including an amount of $11.4 million that were transferred to property, plant and equipment). The Corporation has recorded an expense of $0.3 million related to write-down of the value of its materials for 2019 (December 31, 2018: $0.2 million).

13. 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 $1.1 million (December 31, 2018: $3.1 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, 2018: $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.

The changes in the closing balance of the Asset Renewal Fund resulted from the following movements during the year:

(in millions of Canadian dollars)	2019	2018
Balance, beginning of year	4.0	8.7
Less: Cash drawdown during the year *(Note 1)*	(2.0)	(4.7)
Balance, end of year	2.0	4.0

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

As at December 31, 2019, there is a $1.1 million of accounts payable which will be paid from the Asset Renewal Fund account in 2020 (December 31, 2018: $2.0 million).

14. Advance on Contract

As at December 31, 2019, there is a $63.6 million (December 31, 2018: $74.4 million) advance on contract that will be transferred to property, plant and equipment in the future years according to the progress of work.

15. Property, Plant and Equipment

(in millions of Canadian dollars)	Land	Rolling stock	Maintenance buildings	Stations and facilities *(Note 1)*	Owned infrastructures	Leasehold improvements	Machinery and equipment	Computer hardware	Other property, plant and equipment	Projects in progress	Total
Cost:											
January 1, 2019	17.0	948.5	170.9	154.9	290.0	94.9	28.6	43.5	8.0	47.4	1,803.7
Additions	-	-	-	-	-	-	-	-	-	203.6	203.6
Disposals	-	(8.7)	(3.4)	(2.3)	(1.5)	(0.4)	(1.4)	(1.0)	-	(2.0)	(20.7)
Transfers	-	18.3	5.7	12.4	18.7	1.3	6.7	6.0	1.3	(70.4)	-
Total cost	17.0	958.1	173.2	165.0	307.2	95.8	33.9	48.5	9.3	178.6	1,986.6
Accumulated depreciation and impairment:											
January 1, 2019	-	536.2	109.9	50.0	96.5	49.6	19.1	28.0	3.0	-	892.3
Additions	-	57.1	2.3	6.3	9.5	3.9	1.8	5.4	0.5	-	86.8
Disposals	-	(7.2)	(3.3)	(1.9)	(0.6)	(0.4)	(1.3)	(1.0)	-	-	(15.7)
Total accumulated depreciation and impairment	-	586.1	108.9	54.4	105.4	53.1	19.6	32.4	3.5	-	963.4
Total carrying amount	**17.0**	**372.0**	**64.3**	**110.6**	**201.8**	**42.7**	**14.3**	**16.1**	**5.8**	**178.6**	**1,023.2**

Note 1 – The Corporation leases to third parties a small surface area of certain stations belonging to it. Given that this is only a non-significant proportion of certain stations, these assets are not presented on a separate line.

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

(in millions of Canadian dollars)	Land	Rolling stock	Maintenance buildings	Stations and facilities *(Note 1)*	Owned infrastructures	Leasehold improvements	Machinery and equipment	Computer hardware	Other property, plant and equipment	Projects in progress	Total
Cost:											
January 1, 2018	17.0	942.4	167.8	133.8	269.5	90.6	26.0	38.0	7.2	32.3	1,724.6
Additions	-	-	-	-	-	-	-	-	-	105.3	105.3
Disposals	-	(10.5)	(5.2)	(1.8)	(2.4)	(2.6)	(0.3)	(3.4)	-	-	(26.2)
Transfers	-	16.6	8.3	22.9	22.9	6.9	2.9	8.9	0.8	(90.2)	-
Total cost	17.0	948.5	170.9	154.9	290.0	94.9	28.6	43.5	8.0	47.4	1,803.7
Accumulated depreciation and impairment:											
January 1, 2018	-	497.7	112.8	46.0	89.7	47.7	17.9	26.4	2.6	-	840.8
Additions	-	45.2	2.1	5.5	8.9	4.2	1.4	5.0	0.4	-	72.7
Disposals	-	(6.7)	(5.0)	(1.5)	(2.1)	(2.3)	(0.2)	(3.4)	-	-	(21.2)
Total accumulated depreciation and impairment	-	536.2	109.9	50.0	96.5	49.6	19.1	28.0	3.0	-	892.3
Total carrying amount	**17.0**	**412.3**	**61.0**	**104.9**	**193.5**	**45.3**	**9.5**	**15.5**	**5.0**	**47.4**	**911.4**

Note 1 – The Corporation leases to third parties a small surface area of certain stations belonging to it. Given that this is only a non-significant proportion of certain stations, these assets are not presented on a separate line.

Projects in progress primarily consist of rolling stock, improvements to infrastructure and stations. The project in progress amount includes $6.2 million (December 31, 2018: $2.8 million) of materials used in the refurbishing of rail cars.

The Corporation has revised and modified the useful lives of certain of its rolling stock 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)	2019	2020	2021	2022	2023	2024	2025 and after
Increase in depreciation expense	12.0	(1.1)	(1.2)	(1.3)	(1.3)	(1.3)	(5.8)
Increase in amortization of deferred capital funding	12.0	(1.1)	(1.2)	(1.3)	(1.3)	(1.3)	(5.8)

16. Intangible Assets

(in millions of Canadian dollars)	External software	In-house developed software	Right of access to rail infrastructure	Other intangible assets	Projects in progress	Total
Cost:						
January 1, 2019	108.0	9.3	436.8	5.4	4.1	563.6
Additions	-	-	-	-	11.0	11.0
Disposals	(5.1)	(1.8)	-	-	-	(6.9)
Transfers	6.6	0.3	1.4	-	(8.3)	-
Total cost	109.5	7.8	438.2	5.4	6.8	567.7
Accumulated amortization and impairment:						
January 1, 2019	78.5	9.3	113.2	2.4	-	203.4
Additions	12.8	0.1	11.4	0.6	-	24.9
Disposals	(4.2)	(1.6)	-	-	-	(5.8)
Total accumulated amortization and impairment	87.1	7.8	124.6	3.0	-	222.5
Total carrying amount	**22.4**	**-**	**313.6**	**2.4**	**6.8**	**345.2**

(in millions of Canadian dollars)	External software	In-house developed software	Right of access to rail infrastructure	Other intangible assets	Projects in progress	Total
Cost:						
January 1, 2018	104.2	9.8	430.4	4.4	3.5	552.3
Additions	-	-	-	-	18.5	18.5
Disposals	(6.1)	(0.6)	(0.5)	-	-	(7.2)
Transfers	9.9	0.1	6.9	1.0	(17.9)	-
Total cost	108.0	9.3	436.8	5.4	4.1	563.6
Accumulated amortization and impairment:						
January 1, 2018	69.2	9.3	102.3	2.0	-	182.8
Additions	15.4	0.4	11.3	0.4	-	27.5
Disposals	(6.1)	(0.4)	(0.4)	-	-	(6.9)
Total accumulated amortization and impairment	78.5	9.3	113.2	2.4	-	203.4
Total carrying amount	**29.5**	**-**	**323.6**	**3.0**	**4.1**	**360.2**

17. Trade and Other Payables

The trade and other payables balance includes the following:

(in millions of Canadian dollars)	2019	2018
Wages payable and accrued	**46.5**	43.7
Accounts payable and accruals – Trade	**38.9**	115.1
Accounts payable and accruals – Capital assets	**63.3**	36.1
Trade and other payables classified at Amortized cost	**148.7**	194.9
Capital tax, income tax and other taxes payable	**6.9**	6.1
Deductions at sources	**3.0**	2.8
Total trade and other payables	**158.6**	203.8

18. Leases

The Corporation as a lessee:

The Corporation leases several assets including land, office spaces, stations and facilities and information technologies equipment. Lease of land has lease term of 29 years, leases of office spaces have lease terms between 5 years and 11 years, leases of stations and facilities have lease terms between 3 and 31 years, while information technologies equipment have lease terms between 3 and 5 years.

The Corporation also has certain leases with lease terms of 12 months or less and leases of equipment with low value. The Corporation applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

The carrying amounts of right-of-use assets recognized and the movement during the period are as follow:

(in millions of Canadian dollars)	Land	Office spaces	Stations and facilities	Information technology equipment	Total
Cost:					
January 1, 2019	0.5	9.8	23.1	1.6	35.0
Addition	-	0.2	0.3	0.1	0.6
Total cost	0.5	10.0	23.4	1.7	35.6
Accumulated depreciation:					
Addition	-	1.7	1.1	0.5	3.3
Total accumulated depreciation	-	1.7	1.1	0.5	3.3
Net carrying amount	**0.5**	**8.3**	**22.3**	**1.2**	**32.3**

Amount recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	Total
Expense relating to short-term leases	**1.8**
Expense relating to low-value assets	**0.1**

Total cash outflow is $5.4 million and the average lease term is 8.1 years.

The Corporation has not entered into any sale and leaseback transactions in the current or prior period and has no income from subleasing right-of-use assets. The Corporation has not entered in any variable leases that do not depend on an index or rate.

The carrying amounts of lease liabilities and the movements of the period are as follow:

(in millions of Canadian dollars)	
January 1, 2019	**35.0**
Additions	**0.6**
Accretion of interest	**1.0**
Payments	**(3.5)**
December 31, 2019	**33.1**
Current	**2.8**
Non-current	**30.3**
Total lease liabilities	**33.1**

The Corporation has a lease contract that has not yet commenced as at December 31, 2019 and that is not included in the lease liabilities. The future undiscounted lease payments for this non-cancellable lease contract are 0.3 million within 1 year, 1.9 million within 5 years and 0.2 million thereafter.

18. Leases (cont'd)

There are several lease contracts that include extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercises.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within 5 years	More than 5 years	Total
Extension options expected not to be exercised	-	**15.0**	**15.0**

December 31, 2019	Lease contracts number	Fixed payments (%)	Variable payments (%)
Land leases with payments linked to inflation	1	-	1.3
Office space leases with fixed payments	3	25.1	-
Stations and facilities leases with payments linked to inflation	3	-	3.6
Stations and facilities leases with fixed payments	10	66.4	-
Information technology equipment leases with fixed payments	3	3.6	-
Total	**20**	**95.1**	**4.9**

The Corporation as a lessor:

The Corporation has entered into leases on some of its assets, such as stations and installations. These leases have terms between 1 and 12.3 years. Some leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Some of these operating lease contracts contain a market review clause in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the end of the expiry of the lease period. The Corporation has determined, based on an evaluation of the terms and conditions of the leases, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the property and, that the Corporation retains substantially all the risks and reward to ownership of the properties and accounts for the contracts as operating leases.

Rental income recognized by the Corporation during the year is $10.9 million (December 31, 2018: $10.6 million).

Future minimum rentals receivable under non-cancellable operating leases as at December 31, 2019 are as follows:

(in millions of Canadian dollars)	
Year 1	**4.0**
Year 2	**3.5**
Year 3	**2.9**
Year 4	**1.6**
Year 5	**1.1**
Year 6 and over	**3.1**
Total	**16.2**

19. Provisions

The provisions balance includes the following:

(in millions of Canadian dollars)	January 1, 2019	Additional provisions recognized	Provisions utilized	Unused amounts reversed	December 31, 2019
Environmental costs	1.1	0.3	(0.8)	-	**0.6**
Litigation and equipment repairs *(Note 1)*	8.3	9.1	(6.9)	(2.7)	**7.8**
Total provisions	9.4	9.4	(7.7)	(2.7)	**8.4**

Note 1: 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 depends to a large extent on the pace of negotiation with the various counterparties and legal authorities. The Corporation cannot reliably estimate when these claims will be resolved.

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.

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

20. Deferred Revenues

Deferred revenues are comprised of the following:

(in millions of Canadian dollars)	2019	2018
Advance ticket sales	**21.4**	20.3
VIA Préférence	**11.2**	11.1
Non-monetary transactions	**1.5**	1.7
Gift cards	**1.8**	1.7
Other	**2.0**	2.2
Total deferred revenues	**37.9**	37.0

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 the Corporation performs the contract.

In the current reporting period, an amount of $20.3 million of revenue was recognized relating to advance ticket sales (December 31, 2018: $19.6 million). Management expects that 100 per cent of the advance ticket sales will be recognized as revenue during the next reporting period.

20. Deferred Revenues (cont'd)

In the current period, an amount of $9.9 million of revenue was recognized relating to VIA Préférence performance obligations that were honored in the current period and which were included in the deferred revenues balance at the beginning of the period (December 31, 2018: $8.8 million). Management expects that 85 per cent of the VIA Préférence unsatisfied performance obligations 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 card obligations that were honored in the current period and which were included in the deferred revenues balance at the beginning of the period (December 31, 2018: $0.6 million). Management expects that 37 per cent of gift card performance obligations 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 Benefit Assets and Liabilities

The Corporation provides a number of pension plans with defined benefits (funded) and defined contribution 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 a defined benefit 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 a 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's retirement savings account of the defined contribution component of the plan.

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

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

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, 2018	**December 31, 2019**
Supplemental Executive Retirement Plan	December 31, 2019	**December 31, 2020**
Supplemental Retirement Plan for management employees (SRP), with respect to active members	December 31, 2018	**December 31, 2019**
Supplemental Retirement Plan for management employees (SRP), with respect to retired members	December 31, 2019	**December 31, 2020**
Post-employment unfunded plan	May 1, 2019	**May 1, 2022**
Self-insured Workers' Compensation	December 31, 2018	**December 31, 2021**
Long-term employee benefits plans, other than "Self-insured Workers' Compensation"	December 31, 2019	**December 31, 2020**

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)	**2019**	**2018**	**2019**	**2018**
DEFINED BENEFIT OBLIGATION:				
Balance, beginning of year	**2,284.0**	2,409.0	**22.1**	23.8
Service cost	**27.8**	31.4	**0.3**	0.3
Past service cost	**–**	–	**0.2**	–
Interest expense	**88.0**	81.4	**0.9**	0.8
Employee contributions	**14.1**	14.3	**–**	–
Benefits paid	**(135.1)**	(135.1)	**(0.7)**	(0.8)
Effect of change in demographic assumptions	**(1.2)**	27.5	**–**	0.3
Effect of change in financial assumptions	**257.7**	(148.6)	**3.2**	(2.2)
Effect of employee transfers	**–**	2.8	**–**	–
Effect of experience adjustments	**–**	1.3	**0.1**	(0.1)
Balance, end of year	**2,535.3**	2,284.0	**26.1**	22.1
FAIR VALUE OF PLAN ASSETS:				
Balance, beginning of year	**2,301.4**	2,390.5	**–**	–
Interest income	**87.8**	79.7	**–**	–
Return on plan assets (excluding interest income)	**219.3**	(74.9)	**–**	–
Employer contributions	**21.1**	26.2	**0.7**	0.8
Employee contributions	**14.1**	14.3	**–**	–
Benefits paid	**(135.1)**	(135.1)	**(0.7)**	(0.8)
Effect of employee transfers	**–**	2.8	**–**	–
Administration expenses	**(2.2)**	(2.1)	**–**	–
Balance, end of year	**2,506.4**	2,301.4	**–**	–
Net defined benefit liability (asset)	**28.9**	(17.4)	**26.1**	22.1

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

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)	2019				2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and short-term notes	5.6	0.4	–	**6.0**	0.5	1.5	–	2.0
Equity securities	18.2	–	–	**18.2**	19.4	–	–	19.4
Fixed income securities	–	22.9	1.0	**23.9**	–	24.1	–	24.1
Mutual fund units	5.8	26.5	19.6	**51.9**	8.5	26.1	19.9	54.5
	29.6	**49.8**	**20.6**	**100.0**	28.4	51.7	19.9	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)	**2020**	**2020**
Expected employer contribution for the next year	**21.6**	**0.9**

The weighted average duration of the defined benefit obligation is 13.5 years (December 31, 2018: 12.3 years).

	Defined benefit component of the pension plans		Post-employment benefit plans	
	2019	**2018**	**2019**	**2018**
WEIGHTED-AVERAGE OF SIGNIFICANT FINANCIAL ASSUMPTIONS:				
Defined benefit obligation:				
Discount rate	**3.10%**	3.90%	**3.10%**	4.00%
Rate of salary increase	**3.00%**	2.75% – 3.00%	**3.25%***	3.00%*
Initial weighted average health care trend rate	**-**	-	**5.90%**	5.90%
Ultimate weighted average health care trend rate	**-**	-	**4.00%**	4.00%
Year ultimate rate reached	**-**	-	**2040**	2040
Rate of price inflation	**2.00%**	2.00%	**-**	-
Rate of pension increase	**1.00%**	1.00%	**-**	-
Defined benefit cost:				
Discount rate	**3.90%**	3.40%	**4.00%**	3.40%
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	**-**	-	**5.90%**	5.70%
Ultimate weighted average health care trend rate	**-**	-	**4.00%**	4.30%
Year ultimate rate reached	**-**	-	**2040**	2029

* Applicable to executive employees only.

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

Significant demographic assumptions – Post-retirement mortality tables	
DEFINED BENEFIT OBLIGATION:	
Defined benefit component of the pension plans:	
2019	**2018**
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.
Post-employment benefit plans:	
2019	**2018**
105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.	105% of CPM2014Priv for unionized plan and 90% of CPM2014Priv for non-unionized plans. 100% of CPM scale B for all plans.
DEFINED BENEFIT COST:	
Defined benefit component of the pension plans:	
2019	**2018**
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:	
2019	**2018**
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.

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.

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

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)	**2019**	**2018**
Defined benefit component of the pension plans:		
Inflation rates		
Increase of 25 basis points	**45.2**	38.8
Decrease of 25 basis points	**(44.2)**	(38.2)
Discount rates		
Increase of 25 basis points	**(83.3)**	(68.4)
Decrease of 25 basis points	**87.9**	72.1
Pensions-in-payment		
Increase of 25 basis points	**37.0**	30.6
Decrease of 25 basis points	**(36.4)**	(29.9)
Salary increase rates		
Increase of 25 basis points	**6.1**	5.2
Decrease of 25 basis points	**(6.3)**	(5.6)
Mortality tables		
1 year younger	**73.0**	60.7
1 year older	**(73.3)**	(61.5)
Post-employment benefits plans:		
Discount rates		
Increase of 25 basis points	**(1.1)**	(0.8)
Decrease of 25 basis points	**1.1**	0.9

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.

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

The expense for the defined contribution component of the pension plan for the year ended December 31, 2019 is $1.0 million (December 31, 2018: no significant expense). The employer contributions are expected to be $1.5 million in 2020.

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)	**2019**	**2018**
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of year	**17.3**	18.2
Service cost	**3.5**	3.3
Interest expense	**0.6**	0.6
Benefits paid	**(5.4)**	(4.2)
Effect of change in demographic assumptions	**0.8**	(0.6)
Effect of change in financial assumptions	**(2.2)**	–
Effect of experience adjustments	**4.6**	–
Balance, end of year	**19.2**	17.3
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of year	**–**	–
Employer contributions	**5.4**	4.2
Benefits paid	**(5.4)**	(4.2)
Balance, end of year	**–**	–
Net long-term employee benefit liability	**19.2**	17.3

Expected employer contribution for the next year:

(in millions of Canadian dollars)	**2020**
Expected employer contribution for the next year	**4.7**

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

Weighted-average of significant assumptions

	2019	2018
LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Discount rate	**2.90%**	3.60%
Rate of salary increase	**2.75% – 3.25%**	2.75% – 3.00%
Initial weighted average health care trend rate	**4.90%**	5.00%
Ultimate weighted average health care trend rate	**4.00%**	4.00%
Year ultimate rate reached	**2040**	2040
Rate of price inflation	**2.00%**	2.00%
Mortality tables	**Ontario WSIB Workers' compensation 2006-2010 generational mortality table for workers' compensation and 2019 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	**3.60%**	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

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)	**2019**	**2018**
Discount rates		
Increase of 25 basis points	**(0.4)**	(0.3)
Decrease of 25 basis points	**0.4**	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)	**2019**	**2018**
OTHER LONG-TERM EMPLOYEE BENEFIT OBLIGATION:		
Balance, beginning of year	**0.4**	0.5
Service cost	**0.3**	0.3
Benefits paid	**(0.4)**	(0.4)
Balance, end of year	**0.3**	0.4
FAIR VALUE OF PLAN ASSETS:		
Balance, beginning of year	**-**	-
Employer contributions	**0.4**	0.4
Benefits paid	**(0.4)**	(0.4)
Balance, end of year	**-**	-
Net other long-term employee benefit liability	**0.3**	0.4

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

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)	2019	2018
Assets:		
Defined benefit component of the pension plans	4.4	17.6
Liabilities:		
Defined benefit component of the pension plans	33.3	0.2
Post-employment benefit plans	26.1	22.1
Long-term employee benefit plans	19.2	17.3
Other long-term employee benefits	0.3	0.4
Total employee benefit liabilities	78.9	40.0

Total amounts recognized in the Statement of Comprehensive Income:

(in millions of Canadian dollars)	2019	2018
Operating expenses:		
Defined benefit component of the pension plans	30.2	35.2
Post-employment benefit plans	1.4	1.1
Long-term employee benefit plans	7.3	3.3
Other long-term employee benefits	0.3	0.3
Total	39.2	39.9

These operating expenses are included in the "Compensation and employee benefits" line item of the Statement of Comprehensive Income.

(in millions of Canadian dollars)	2019	2018
Other comprehensive income (loss):		
Defined benefit component of the pension plans	(37.2)	44.9
Post-employment benefit plans	(3.3)	2.0
Total	(40.5)	46.9

22. Income Taxes

The income tax expense consists of the following:

(in millions of Canadian dollars)	2019	2018
Current income tax expense	-	-
Deferred income tax expense	-	-
Income tax expense	-	-

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 24.68 per cent (December 31, 2018: 24.56 per cent) to income before taxes. The reasons for the differences are as follows:

(in millions of Canadian dollars)	2019	2018
Net loss before income taxes	(10.9)	(19.0)
Computed income tax recovery – statutory rates	(2.7)	(4.7)
Ontario Corporate minimum tax	-	-
Non-deductible accounting expenses and other	0.6	0.1
Effect of unrecognized tax attributes	2.5	4.8
Effect of tax rate changes on deferred income taxes	(0.4)	(0.2)
Income tax expense	-	-

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.

22. Income Taxes (cont'd)

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

Deferred income tax balances December 31, 2019 (in millions of Canadian dollars)	**Opening Balance**	**Recognized in net income**	**Closing Balance**
Deferred income tax assets (liabilities):			
Unrealized gain on derivative financial instruments	(0.1)	(0.1)	**(0.2)**
Right-of-use assets	-	(8.0)	**(8.0)**
Employee benefit assets	(4.3)	3.3	**(1.0)**
Total deferred income tax liabilities	(4.4)	(4.8)	**(9.2)**
Losses carried forward	4.4	4.8	**9.2**
Deferred income tax assets (liabilities)	-	-	**-**

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 benefit 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)	-	-	**-**

The Corporation has $53.9 million (December 31, 2018: $51.0 million) of unused Federal and other provinces and $56.4 million (December 31, 2018: $53.4 million) of unused Québec non-capital tax losses carried forward. These losses expire between 2029 and 2039.

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)	2019	2018
Federal and other provinces:		
Property, plant and equipment and intangible assets	90.6	92.4
Provisions and other liabilities	42.6	37.1
Lease liabilities	33.1	–
Employee benefit liabilities	78.9	39.6
Losses carried forward	16.3	32.7
Total	261.5	201.8
Québec:		
Property, plant and equipment and intangible assets	472.3	474.1
Provisions and other liabilities	10.8	15.9
Lease liabilities	33.1	–
Employee benefit liabilities	78.9	39.6
Losses carried forward	18.9	35.2
Total	614.0	564.8

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)	**2019**	**2018**
Balance, beginning of year	**1,257.0**	1,239.5
Government funding for property, plant and equipment and intangible assets (including the cost of land)	**204.1**	121.8
Government funding for an advance on contract	**63.6**	–
Total Government funding for property, plant and equipment, intangible assets and advance on contract	**267.7**	121.8
Amortization of deferred capital funding	**(117.7)**	(104.3)
Balance, end of year	**1,407.0**	1,257.0

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. Supplemental Cash Flows Information

Net change in working capital items:

(in millions of Canadian dollars)	2019	2018
Trade and other receivables	**(19.4)**	12.6
Other assets	**0.9**	(2.0)
Materials	**(1.3)**	(3.3)
Trade and other payables	**2.0**	2.6
Provisions	**(1.0)**	0.5
Deferred revenues	**0.9**	2.3
Total	**(17.9)**	12.7

The change in trade and other receivables excludes an amount of ($19.4) million (December 31, 2018: ($13.1) 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 $27.2 million (December 31, 2018: $13.0 million) in relation to the acquisition of property, plant and equipment and intangible assets, as this amount relates to investing activities. As at December 31, 2019, there is no advance on contract to exclude from the change in trade and other payables relating to investing activities (December 31, 2018: $74.4 million).

Investing activities supplemental information:

(in millions of Canadian dollars)	2019	2018
Acquisition of property, plant and equipment and intangible assets	**(213.5)**	(121.8)
Acquisition of property, plant and equipment financed by the Asset Renewal Funds	**(1.1)**	(2.0)
Total acquisition of property, plant and equipment, intangible assets	**(214.6)**	(123.8)
Change in accounts payable and accruals – Capital assets	**27.2**	13.0
Change in other payables	**9.4**	-
Total cash out for acquisition of property, plant and equipment and intangible assets	**(178.0)**	(110.8)
Government funding invoiced for property, plant and equipment and intangible assets	**204.1**	121.8
Change in amount receivable from the Government of Canada – Capital funding	**(19.4)**	(13.1)
Total Government funding received for property, plant and equipment and intangible assets	**184.7**	108.7

The total amount of $213.5 million of acquisitions of property, plant and equipment and intangible assets exceed the total amount of $204.1 million of Government funding received during the year from an amount of $9.4 million. This is because an amount of $9.4 million of projects in progress relating to the fleet replacement project will be payable and funded in the future years.

26. Fair Value of Financial Instruments

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)	**2019**	**2018**
Assets:		
Cash	**0.9**	0.8
Trade and other receivables	**0.6**	0.5
Liabilities:		
Trade and other payables	**2.4**	4.1
Derivative financial instruments	**-**	0.4

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.

27. Financial Risks (cont'd)

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 $13.8 million (December 31, 2018: $27.4 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, 2019, approximately 8.6 per cent (December 31, 2018: 7.2 per cent) of trade accounts receivable were over 90 days past due, while approximately 71.8 per cent (December 31, 2018: 77.8 per cent) of trade accounts receivable were current (under 30 days).

As at December 31, 2019, the loss allowance was $0.2 million (December 31, 2018: $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 $192.7 million (December 31, 2018: $200.2 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, 2019:

(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	148.7	-	-	-	-	**148.7**
Lease liabilities	0.7	0.7	1.4	2.5	27.8	**33.1**
Derivative financial liabilities	0.3	0.3	0.7	0.2	-	**1.5**
Other payables	-	-	-	-	9.4	**9.4**
Total	149.7	1.0	2.1	2.7	37.2	**192.7**

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**

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, 2019 and December 31, 2018, 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:

	2019				2018
(in millions of Canadian dollars)	Total commitments	Less than 1 year	From 1 to 5 years	More than 5 years	Total commitments
COMMITMENTS RELATING TO OPERATIONS:					
Non-cancellable leases: Lessee *(Note a)*	**13.1**	2.7	8.4	2.0	20.4
Technical service *(Note b)*	**356.1**	-	14.7	341.4	356.1
Total	**369.2**	2.7	23.1	343.4	376.5
COMMITMENTS RELATING TO MAJOR CAPITAL INVESTMENTS:					
Rolling stock *(Note b)*	**935.2**	169.5	765.7	-	1,019.3
Maintenance buildings	**0.2**	0.2	-	-	1.9
Stations and facilities	**4.7**	4.7	-	-	8.2
Owned infrastructures	**6.3**	6.3	-	-	11.1
Software	**5.1**	5.1	-	-	-
Computer hardware	**3.1**	1.4	1.7	-	0.4
Total	**954.6**	187.2	767.4	-	1,040.9
Total commitments	**1,323.8**	189.9	790.5	343.4	1,417.4

a) As a consequence of the application of IFRS 16 as at January 1, 2019, an amount of $9.0 million of the lease commitment is now presented as right-of-use assets and lease liabilities in the Statement of Financial Position. Refer to Note 18. Therefore, as at December 31, 2019, the total commitments amount shown in the table above only includes commitments for variable operating cost of leases.

b) The Corporation signed an agreement to replace its 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 depends on the annual usage of the tracks.

d) The Corporation has provided letters of credit from a financial institution totaling approximately $24.2 million (December 31, 2018: $22.2 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)	2019	2018
Compensation and short-term employee benefits	4.1	3.5
Post-employment benefits	1.4	1.0
Total	**5.5**	4.5

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, 2019 and December 31, 2018.

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 $2.1 million for the year ended December 31, 2019 (December 31, 2018: $2.0 million) under "Passenger revenues" in the Statement of Comprehensive Income. The Corporation also recorded expenses from non-monetary transactions of approximately $1.7 million (December 31, 2018: $1.8 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. Events After the Reporting Period

Global Coronavirus Pandemic

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

The outbreak of the COVID-19, as well as the February 2020 rail blockades, have negatively impacted travel and will affect VIA Rail's financial performance in 2020. Although the full impact of these events is unknown at this time, current trends show lower ridership and revenue and greater refunds for sales generated before December 31, 2019. In addition, adverse developments in capital markets during the first quarter of 2020 related to the spread of the COVID-19 are negatively impacting the fair value of the employee benefit assets. Should capital markets fail to recover to some extent later in the year, employee benefit liabilities for 2020 and subsequent years would increase.

The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on both the financial results of the Corporation and its employee benefit assets and liabilities, however it is likely that the Corporation will have additional funding requirements in 2020 and future periods.

Corporate Directory

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Françoise Bertrand
Montréal, Québec

Board Members

Cynthia Garneau
Montréal, Québec

Yves Desjardins-Siciliano
Montréal, Quebec (exiting)

Kathy Baig
Laval, Québec

Grant Christoff
Vancouver, British Columbia

Daniel Gallivan
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Belleville, Ontario

Gail Stephens
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Kenneth Tan
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Geneviève Tanguay
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Vianne Timmons
Regina, Saskatchewan

Management Team

Cynthia Garneau
President and Chief Executive Officer

Yves Desjardins-Siciliano
President and Chief Executive Officer (exiting)

Marc Beaulieu
Chief Transportation and Safety Officer

Linda Bergeron
Chief Employee Experience Officer

Mario Bergeron
Chief Mechanical and Maintenance Officer

Sonia Corriveau
Chief Business Transformation Officer

Ben Marc Diendéré
Chief Public Affairs and Communications Officer

Patricia Jasmin
Chief Financial Officer

Martin R. Landry
Chief Commercial Officer

Jean-François Legault
Chief Legal & Risk Officer and Corporate Secretary

Robert St-Jean
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