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## **VIA RAIL'S STRATEGIC PLAN FOR SUCCESS**

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### **INTRODUCTION**

- VIA is facing serious challenges, as daunting as any in the public or private sectors. In 1992 VIA's total government subsidy was \$389 million. By 1999 it will fall to \$170 million, a reduction of \$219 million per year or 56%.
- In order to meet falling funding levels, triggered by the 1993 federal budget, VIA was faced with a major decision; it could either reduce the train services network by 25% or improve the bottom line.
- The corporation chose to improve the bottom line through productivity gains and revenue growth, while maintaining and enhancing its presence in the market and focusing all efforts and resources on providing excellent value for money and services tailored to each market's and each customer's needs.
- VIA's goal has been to reduce costs while increasing the quality of service and not reducing the current train services network.
- The tool used to focus our efforts and resources is an integrated Strategic Plan which is the blueprint that every employee is following to ensure that the corporation achieves its objectives.

- VIA is already making good progress in meeting the funding challenge. Between 1992 and 1995 total government subsidy fell from \$389 million to \$295 million respectively, a reduction of \$94 million annually.
- On the service side, VIA's performance has remained excellent. In 1995, VIA achieved a customer service satisfaction rating of 95% (expectations met or exceeded) and on time performance came in at a solid 86%.

## **1.0 PRODUCTIVITY GAINS**

- Since 1992, all operations have been made much more efficient, while improving the level of service offered to customers. To do this, every employee at VIA was asked to put the customer first, while examining the manner in which they conducted their business, in order to eliminate anything that did not add value to the customer.
- The results are impressive. Between 1992 and 1995 VIA reduced its annual operating expenses from \$487 million to \$397 million, a \$90 million or an 18% drop. By 1999 operating expenses will decrease to \$369 million, \$118 million or 24% lower than in 1992, while absorbing significant revenue and ridership growth.
- All aspects of VIA's operations have been thoroughly reviewed and many of the resulting productivity initiatives have already been implemented, although their full benefits have not all been realized. A summary of these initiatives follows:

### **1.1 Management and administrative streamlining**

- Management and administrative staff reductions implemented in 1993 through 1996 resulted in a reduction of approximately 800 positions in total (over 60% of management and administrative staff) and savings of \$46 million annually.

## **1.2 Labour savings**

- In 1995, VIA's out-dated collective agreements were modernized as a result of legislation and the ensuing arbitration process, resulting in annual savings of over \$31 million. The initiatives include: consolidating all shopcraft unions, changing the method of pay for running trades employees from a mileage to an hourly basis, operating some train services with only one conductor and one engineer, rationalizing customer services staff in the Quebec-Windsor Corridor, reducing the number of employees eligible to receive employment security and freezing wages since 1993.
- A freeze on management pay since 1993 resulted in additional savings of \$2 million annually.

## **1.3 Equipment Maintenance Cost Reduction Initiatives**

- Approximately \$17 million in annual savings is coming from various initiatives in the equipment maintenance department, including: reducing unplanned repairs by improving the quality of work and technical robustness of systems, introducing modernized equipment, doing more work in-house (rather than contracting out), streamlining maintenance and servicing practices, and reducing utilities and plant maintenance expenses.

## **1.4 Train Service Improvements**

- Train service adjustments implemented in early 1996, including the introduction of modernized equipment on the Churchill and northern Quebec services, and new daylight schedules for the Jasper-Prince Rupert and northern Quebec services, will result in annual savings of \$11 million.

## **1.5 Other**

- Various productivity and structural savings implemented mainly in 1994 and 1995, including a more efficient crew calling system, the elimination of temporary positions, reduced numbers

of guard equipment, improved telephone sales office productivity, reduced professional services, better procurement practices, and lower reservation system costs; account for the remainder of savings in operating expenses.

## 2.0 REVENUE GROWTH

- In addition to cutting costs, VIA's future progress is dependent upon increasing revenues through gains in yield and ridership. If these objectives are not met, market share will diminish, as will the ability to live within established funding levels without taking resources away from essential capital projects.
- One of the major contributors to ridership and revenue growth is the quality of service provided to our customers. VIA knows that much of its future success will come from its ability to meet or exceed customer expectations. On this front, VIA has been working hard and the results have been substantial.
  - In 1995, VIA received a customer satisfaction rating of 95% for its ability to meet or exceed customer expectations
  - In 1995, a training program was launched, entitled "Achieving Excellence in Customer Service", that was developed to enhance front-line employee interactions with customers. VIA supervisors are also receiving training in the skills they need to support front-line employees in their efforts to provide excellent customer service
  - Externally, VIA's progress has not gone unnoticed. National and international recognition was received for our products and VIA has been asked to chair Canadian Quality Month in 1996.
- To date, VIA has been successful in increasing revenues. Despite weak travel market conditions between 1992 and 1995, revenue grew by 12%, although passenger growth remained flat.

- VIA's current Corporate Plan assumes revenue and passenger growth over the next four years of 33% and 18% respectively.
- In order to achieve these revenue and passenger targets the following initiatives will be implemented:

#### *System Wide*

- Introduce loyalty programs to increase customer frequency and loyalty
- Position VIA as a leader in the travel industry
- Accelerate joint ticketing agreements and strategic alliances with other travel partners
- Improve and simplify customers' access to information, reservation and ticketing world-wide through continued links with airline reservation systems. For example, test automatic ticketing machines and reservations using the Internet.

#### *Corridor Services*

- Increase the focus and effort on marketing to the business traveler
- Launch a customer rewards program.

#### *Western Service*

- Expand seat capacity between Jasper and Vancouver during the peak season
- Continue to increase volumes in the off-peak by aggressively marketing a winter touring program jointly with VIA's travel industry partners.

#### *Eastern Service*

- Increase the volume and revenue of the Montreal-Halifax service "*The Ocean*" by promoting it as a leisure product and a lower-price version of VIA's Toronto-Vancouver service "*The Canadian*" during peak months.

### 3.0 THE STRATEGIC PLAN

- VIA Rail's management has developed a comprehensive strategic plan which confirms the corporation's values and defines its mission and vision. The Strategic Plan has focused all employees' attention on a common direction and is playing a major role in meeting VIA's revenue and productivity challenges.

#### 3.1 Values

- Quality - to our customers
- Productivity - to our shareholder
- Responsiveness - to our co-workers.

#### 3.2 Vision

- VIA will be the best passenger transportation company in Canada.

#### 3.3 Mission

- To offer high quality, low cost passenger rail service.

#### 3.4 Goals

- The five goals and corresponding strategies are:

##### *Service*

Objective: Customer service better than any other transportation mode in Canada.

Strategies include:

- Adopt a zero tolerance approach to on-time performance
- Improve the delivery of service by VIA people to be consistent and customized to each customer's needs



- Keep adjusting our products and associated services based on what customers want
- Seek out and destroy irritants to customers.

### ***Growth***

Objective: Increase VIA's ridership above market growth.

Strategies include:

- Create maximum flexibility and increase speed in pricing action to increase ridership while maintaining profitability
- Develop aggressive and targeted programs designed to increase revenues over and above incremental costs and attract more riders
- Introduce a coordinated sales program initially targeted at the corporate market
- Turn every employee into a salesperson for our organization to promote our services and products
- Using existing resources, focus on increasing frequencies and reducing trip times to be airline competitive in high potential corridor markets.

### ***Finance***

Objective: Reduce subsidy through increasing revenues and reducing costs.

Strategies include:

- Find waste and destroy it
- Leverage each square foot of space used by VIA in stations, maintenance centers and offices, and seek to eliminate costs on all other space
- Optimize the size and deployment of the fleet and maximize utilization of the resulting fleet capacity
- Have information systems which are proactive, solutions oriented and closely linked to the current and future needs of users

- Develop and implement a company-wide, managed approach to the reduction of maintenance center costs through the sale of services in our areas of expertise
- Assign development spending to multi-year capital investment programs focused on trip time reduction targets.

### *People*

Objective: Successful employees through enhanced training and effective communication.

Strategies include:

- Develop a plan and appropriate media to communicate the Strategic Plan to ensure awareness and understanding by each employee, department and area of the company
- Become a continuous learning organization
- Implement Performance Enhancement principles which improve the way employees relate to customers and to each other.

### *Safety*

Objective: A safe environment for employees and customers by making continuous progress towards no injuries, accidents or environmental impacts.

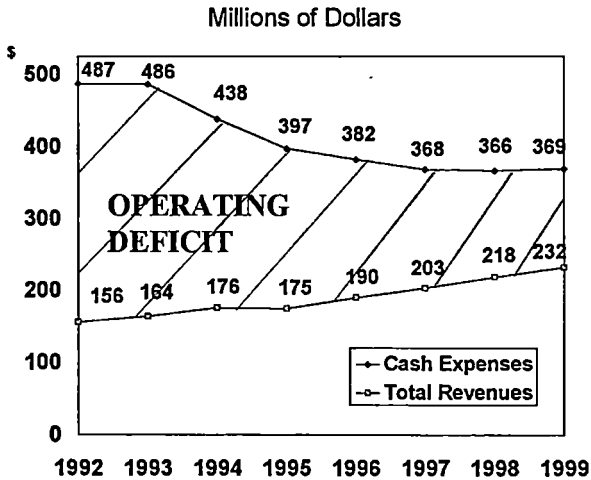
Strategies include:

- Have effective corporate safety policies and standards and support VIA safety committees
- Continue to have an Emergency Measures Organization plan which is regularly updated, tested and triggered immediately when required
- Provide enhanced safety information on board trains and on company premises.

## 4.0 CONCLUSION

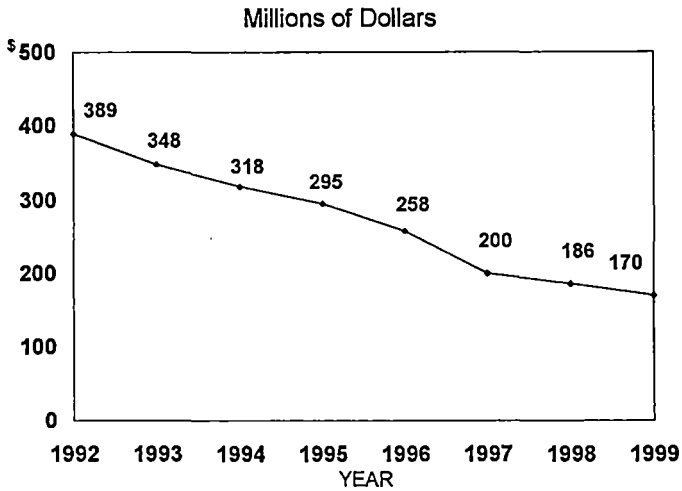
- The results of VIA's productivity and revenue initiatives have been impressive, including :
  - A \$109 million reduction in the operating deficit, between 1992 and 1995, from \$331 million to \$222 million annually. By 1999, it will be \$137 million, representing a 59% drop from 1992
  - An improvement in the revenue/cost ratio from 32% in 1992 to 44% in 1995. By 1999 the revenue/cost ratio will almost double from 1992 levels to 63%
  - A reduction in staffing levels from 4,478 in 1992 to 3,178 in 1995, a 29% decrease.
- While VIA was achieving these milestones, new train services were introduced, frequencies were increased and trip times were shortened. Furthermore, national and international recognition was received for the quality and design of our products and services.
- In short, VIA has gone from an operationally-centered organization to one that is customer-focused, providing quality products at low cost to the tax payer. We will continue to be a learning organization, which is responsive to both customer needs and the financial challenge. By continuing with the implementation of the Strategic Plan, VIA's management is confident that its past successes will continue and that it can meet the lower funding targets without train service reductions. It is also confident that VIA will achieve its vision of becoming the best passenger transportation company in Canada.

## VIA RAIL CANADA REVENUE & OPERATING EXPENSES\* 1992 TO 1999



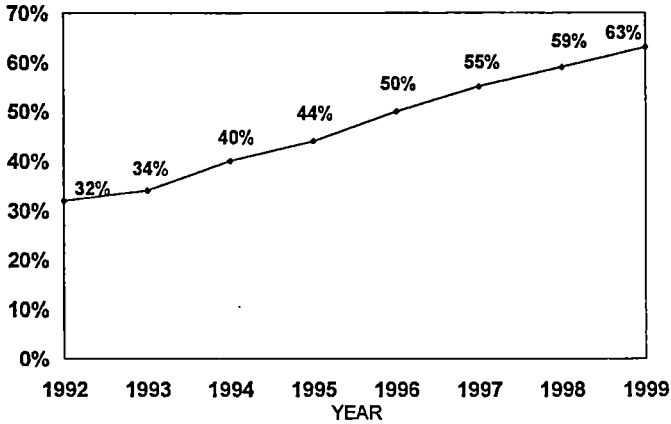
\*Excludes restructuring and non cash expenses

### VIA RAIL CANADA TOTAL GOVERNMENT FUNDING\* 1992 TO 1999



\*Includes restructuring and capital expenditures

VIA RAIL CANADA  
REVENUE/COST RATIO\*  
1992 TO 1999



\* Excludes restructuring and non cash expenses