Where is VIA Going? A Brief Analysis of a Crown Corporation

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This paper is based on research conducted for a chapter in an upcoming book. (Malcolm G. Bird. In press. "Where is VIA Going? A Case Study of Managing a Commercial Crown Corporation." In *How Ottawa Spends, 2009-2010: Economic Upheaval and Political Dysfunction*, ed. Allan M. Maslove. Montreal: McGill-Queens). Its findings are based on a number of interviews with senior VIA executives and others familiar with passenger rail in Canada, as well as on primary and secondary materials. The author welcomes all comments, questions and criticisms, but asks that you not quote from this essay without his prior permission.

For most of Canada's history, Canadians have moved around our vast land by train. Canada's modern network of highways, roads and air travel infrastructure are all relatively recent post war developments. Not surprisingly, the increased use of automobiles and airplanes to move about is correlated with a steep and steady decline in train travel. The decline in train travel, however, cannot be viewed as merely benign or be solely attributed to the increased availability and affordability of car and plane travel. Rather, it is also a direct result of deliberate action or, more accurately, inaction, by successive federal governments to undermine train travel as a viable, cheap and convenient way to move from city to city. Canada's main provider of passenger rail service, VIA Rail, is an institution that has been cast adrift by its political masters.

This paper will examine VIA Rail. It will look at and explain its thirty-year history, and its current status as a transportation entity. The paper's central argument is that VIA Rail is a problematic rail service provider, and is unable to provide a high quality traveling experience to the public. VIA's thirty-year history has been one of steady decline. However, this is not to say that the organization itself is at fault for VIA's trajectory. VIA's management does its best, given their current constraints, to make VIA an effective service provider. The responsibility for its deterioration instead lies principally with the federal government, as well as with VIA's former "host" company, Canadian National Railways (CN), with whom VIA shares its rail infrastructure. Both of these external actors hinder this organization effectiveness, and both have a vested interest in maintaining a marginal VIA Rail. The federal government does not provide VIA with adequate and consistent operational and capital funding, nor has it provided VIA with a clear mandate or sufficient governance structure. The government of Canada has also been unwilling to encourage CN to increase VIA's capacity to carry passengers or VIA's ability to ensure that its trains arrive on time. Recent announcements of the federal government's intentions to provide VIA with more capital and operational money, a remarkable year-over-year improvement in passengers volumes in 2008, and some tangible improvements to its service and levels of efficiency, fail to disguise the long-term, steady decline in effectiveness of this agency, nor will these factors resolve the structural problems that it faces. Until there is sufficient political will to change VIA's mandate, as well as its governing and financing structures, Canadians will continue to be served by a marginal passenger rail provider.

While this paper examines VIA Rail's history and contemporary state of affairs, the author has been unable to arrive at absolutely definitive answers as to why it is in its current condition. For example, it is not clear from the research conducted exactly why successive federal governments have treated VIA with such indifference, nor is it entirely apparent how VIA has managed to survive for the last thirty years in its current form given the large number of influential interests that would prefer to see its demise. The paper does, however, offer some informed tentative conclusions and identifies possible factors that might explain VIA's current state. Discussion of passenger rail in Canada raises the matter of the prospect of building a high speed train system in central Canada, a prospect that has been the subject of numerous government studies over the years. The likelihood of this, however, is near zero; if there is insufficient political will to make VIA work in its current form, there is most likely insufficient political will to spend the multiple billions of dollars required to build a high speed rail network.

This paper is organized in the following manner. First, it provides a brief history of VIA Rail. Next, it argues that this organization is in decline, highlighting some details of its key operating statistics. The third section then explains some of the deficiencies of VIA's service. After outlining VIA's history and current status, the next two sections of the paper will argue that VIA has made some tangible improvements to its service and organization in recent years, but that these positive developments fail to resolve the underlying structural problems it faces, particularly the external limitations imposed on it by the federal government and CN. An analysis of these external constraints will follow, as will a brief examination of the other organizations that are hostile to it. The subsequent section will provide some plausible reasons and explore several factors that may explain VIA's current condition. A few concluding remarks will round out the paper.

A Short History of VIA Rail

VIA rail was created in 1977 as an amalgamation of CN and CP's passenger rail services. Initially, it emulated its publicly owned counterpart, CN, in organization and structure. It was some ten years before all responsibilities for passenger service were fully transferred to VIA Rail. At the time that VIA was created, CP had largely abandoned the passenger rail market. While CN carried five times more passengers than its private counterpart, both railways were happy to rid themselves of their money losing passenger services and to focus their energy freight operations. Their desire to do so was reinforced by the fact that rail passenger numbers had been in a steep decline since the 1960s. In fact, the provision of passenger service had only remained possible by virtue of significant, direct government subsidies paid to both organizations. VIA inherited both old equipment and infrastructure, as well as employees, from two firms who no longer wanted to provide the service that this new entity was created to expressly provide. A Liberal government subsequently privatized CN in 1995.

Created by an order-in-council, VIA was never given a clear operating basis or legislated mandate. As Canada's only provider of passenger rail service, VIA has three key functions. It is charged with providing coast-to-coast (to coast) year-round transcontinental service (largely targeted to the tourist industry); year-round, ground service to number of remote communities that are only accessible by air (and where road construction is not feasible); and, most critically, inter-city service that is concentrated in the Windsor/Quebec City corridor. This last segment accounts for approximately 85% of its passenger traffic. Within the confines of these three functions that it is expected to perform, VIA provides environmentally efficient, accessible, year-round service throughout Canada. It is a fully bilingual organization, with its head office in Montreal.

VIA's Decline: Key Operating Statistics

VIA's thirty-year history is one of significant decline. A close look at its operational statistics tells most of the story – please see appendix A. As one can see from viewing the statistics, from its inception until today, VIA has seen a remarkable decline in its service area, funding and passenger numbers. In 1980, for instance, VIA carried 7.56 million passengers a total of 1.93 billion miles. By 2008, it moved a relatively modest 4.6 million passengers a total of 951 million passenger miles. And while 2008 saw significant passenger growth, carrying 424,000 more passengers than in 2007, this growth appears to be positive blip on a longer-term downward trajectory. Operational and capital subsidies, likewise, show a similar decline. In 1980, for example, VIA received $350 million from the federal government as an operating subsidy, and $31.5 million from the government in capital funding. In 2008, it received $214.2 million as an operating subsidy and $42 million to fund its capital infrastructure. Accordingly, it is apparent that VIA's subsidies have shrunk significantly over the course of its life.

A close look at key statistics illustrates some other important points. There have also been some sharp reductions in total government funding year-over-year. From 1989 to 1990, for instance, VIA received approximately $150 million less in funding from the federal government and, partly as a result of such cuts, carried almost three million fewer passengers in 1990 than it did in 1989. One notices, as well, from 1985 to 1986, VIA saw a reduction in external funding of approximately $125 million and yet gained almost 1,200 employees (these were transferred employees from CN). Few organizations, public or private, have had to cope with such extraordinary (and peculiar) shocks. In addition, during a number of years (1998, 1999, 2005 and 2006), VIA received little or no external capital funding at all. Its capital funding has been erratic, and is shrinking in the long-term. Its operational subsidies have been similarly erratic and shrinking. Over the last ten years, its yearly operational subsidies have averaged a relatively modest $176.3 million. Rounds of cutbacks and service reductions have taken its toll on Canada's passenger rail service.

VIA: Mediocre Service

VIA is a transportation organization that is beset by a number of significant problems. Passenger experience for those riding the rails is, for the most part, relatively marginal. Train travel times are limited, fares are remarkably high (especially if one is not a senior, a student or a passenger who has purchased one's tickets in advance) and, in general, interfacing with the firm is only okay. For example, between Montreal and Toronto, VIA offers only 6 daily departures. Between the three airlines, Porter, Air Canada and Westjet, there are over 40 departure times; even the bus offers more frequent service, providing 8 daily departure times between these two cities. An additional drawback is that there are no trains that continue through major cities. Travel between Ottawa and Quebec City, for example, requires a stop over (and sometimes quite a long one) in Montreal. When boarding trains, passengers must line up, and are provided with little information as to the status of their train. Other small annoyances are the archaic ticketing system and limited baggage service on many routes. Many train stations are old. Union Station in Toronto, for example, is a grand building, but has a rundown and tired feel to it. The LRC (light, rapid, comfortable) cars that are on the corridor, while set to undergo a retrofit, are also showing their age, and are prone to mechanical problems. Staff interaction is acceptable, but hardly exemplary; VIA's website, too, is functional, but not particularly user friendly. VIA's most pressing problem, however, is the tardiness of its trains. According to its annual report, 75% of trains arrive on time (VIA, 2008: 32). A train must be at least 15 minutes late to be classified as a delayed arrival, and in 2005 only 36% of its trains were exactly on time (VIA: 2006:3). Anecdotal evidence supports VIA's problems with punctuality. All of these issues contribute to the fact that VIA's overall customer experience, when compared to that supplied by other transportation providers, is somewhat lacking.

VIA: Doing Its Best, Given the Circumstances

While the above criticisms of this public institution may appear somewhat harsh, the purpose of this paper is to provide a relatively frank analysis of VIA and how it performs as a transportation provider. It is easy to blame VIA's management for its shortcomings, but such an analysis, however, would fail to appreciate the structural factors that prevent it from reaching its potential. VIA is doing its best to provide Canadians with quality passenger rail service and has made some tangible improvements to its operations, but as will be explained, underlying responsibility for its decline and relatively problematic service lies squarely with its political masters.

VIA has made some substantial improvements to its corporate performance. Despite steep decreases in its subsidies and ridership levels over its lifetime, it has enhanced its productivity levels by increasing its output per unit of input costs. Evidence for this may be found in its yield. The yield is a measurement of VIA's revenues from passenger fares per passenger mile, and is calculated in cents per passenger mile. VIA's yield has increased steadily over the years, from a paltry 7.1 cents per passenger mile in 1980 to 29.6 cents per passenger mile in 2008. This metric captures a number of variables. First, it shows that VIA earns a higher proportion of its income from ticket sales than it did shortly after it was created, and is therefore correspondingly less reliant on government subsidies to operate. It also illustrates that VIA has made improvements to its overall operations over time, and is moving more people with relatively less expenditure of resources than in 1980. Reducing low usage routes is one reason for this improvement, but, more problematically for its popularity as a mode of transportation, this particular metric shows how VIA has increased its ticket prices over time, often well in excess of the rate of inflation.

The Asset Renewal Fund (ARF), which is currently valued at approximately $75 million, is a pool of capital funded from proceeds derived from the sale of some of its assets, and it provides another example of the efforts made by VIA's management to increase VIA's self-sufficiency, and decrease its reliance on its political masters. Despite strong opposition from within the federal government, VIA has managed to maintain control over this fund and use it to cover capital, operational and pension shortfalls during some of its leaner fiscal years. Like VIA's gains in efficiency, the ARF is an example of efforts by VIA's management to operate this firm within the limiting confines set by its political superiors.

In addition, VIA has made some tangible improvements to its service in recent years. For example, in 2000, it acquired 140 new Renaissance passenger cars. These cars are a vast improvement over the older LRC cars, and make traveling by rail much more comfortable for passengers. The purchase of 21 General Electric P42 Genesis locomotives in 2001 is likewise is notable improvement, since these engines are fuel efficient, powerful and much more reliable than older locomotives. The fact that VIA now provides access to the Internet while traveling by train and a travel-miles loyalty program also constitute significant improvements to its service. Finally, there has been a noticeable improvement in the quality of food available while traveling the country by rail.

VIA: A Short-Term Upswing?

In the short-term at least, VIA will be able to continue to improve its service within the corridor. In October 2007, the Harper government announced a new, five-year capital funding package for VIA. The $692 million package was welcome news for VIA, and $175.9 million of these funds will be used to augment its operational subsidy. The remaining $516 million will go towards improving VIA's rolling stock and track segments in its key corridor market. The $516 million will be used to refurbish 53 F-40 General Motors locomotives and 98 LRC cars, with approximately $100 million allotted to each project. Approximately $200 million will be used to improve track infrastructure and to upgrade tracks, sidings, signals and the like. The remaining monies will be allocated to refurbish stations and retrofit 40 Renaissance class cars in order to comply with a Supreme Court of Canada judgment against VIA in a case brought against them by the Council of Canadians with Disabilities (Transport Canada, 2007).

The federal government's 2009 budget had some additional good news for VIA. Under this most recent budget, VIA is set to receive an additional $407 million in capital funding. This new money will be used to improve track infrastructure in the corridor so that two additional express trains running between Toronto and Montreal can be added to VIA's schedule, and to reduce travel time by thirty minutes on trains running from Toronto to Montreal and Ottawa. These funds will also be spent on renovations to a number of train stations, improvements to two First Nations railways, and on a number of safety initiatives (Department of Finance, 2009). If this money materializes, it, like the funding announced in 2007, will most certainly assist VIA in improving its passenger service. There has been some other good news for VIA recently. In 2008, VIA carried 424,000 more passengers than it had during the previous year (an increase of approximately 10%).

Unfortunately, however, all of these service improvements and increases to VIA's operational and capital funding will not solve the structural problems that this Crown corporation faces. The capital funding is most welcome, but the key question is whether or not this funding signals a new era for VIA Rail, and the government's willingness to take a new approach when dealing with this organization, or whether it is merely a continuation of previous cyclical funding patterns for VIA. Between 2000 and 2004, for example, VIA received approximately $400 million to fund its capital needs, but then, in 2005 and 2006, it received no additional funding. VIA similarly received no capital funding from the government in 1998 and 1999. Additionally, while the refurbishment of VIA's twenty-year old rolling stock will represent a significant improvement once completed, such refurbishment is very much a second best option to purchasing new cars and locomotives. The government did not provide sufficient funding to make this better option available to VIA. Safety initiatives, track improvements and station renovations are likewise all excellent developments, but such improvements will mean little if VIA does not also improve its on-time performance and the overall consumer experience it offers.

External Constraints: The Federal Government and CN Rail.

Responsibility for VIA's current condition and longer term institutional fate lies with the federal government. The federal government's relationship with VIA follows a pattern of benign neglect, interrupted by erratic, limited periods of subsidy allocations. The government's benign neglect of VIA on a financial level is somewhat juxtaposed to its overly interventionist and politicized interference with VIA's business and strategic decisions. The federal government not only exercises ultimate control of VIA Rail; it also exercises ultimate control over Canada's rail policy overall, which includes control over CN Rail. The government's indifference towards VIA is, however, best demonstrated by the fact that no government, whether Liberal or Conservative, has provided VIA with a clear and concise mandate or instructions as to the function it is expected to perform with respect to Canada's transportation strategy. While it was created by an order-in-council, VIA rail does not have specific enabling legislation. This ambiguity regarding the role that VIA is expected to play in Canada's transportation strategy and lack of a clear legislative mandate has made VIA vulnerable to politically motivated interference in its business and strategic decisions. This is coupled with the fact that there are some parts of the federal government, particularly individuals within Transport Canada and Treasury Board, which approve VIA's capital and operational budgets, who are openly critical of VIA and wish to see its ultimate demise. Few presidents of any organization, public or private, would make the following statement in their company's annual report nearly twenty years after its inception:

> But VIA cannot fulfill that role, or take advantage of the opportunities for growth, unless we – as a country – are ready and able to pursue new and innovative ways of delivering passenger rail services. To grow, there must be some major changes: a clear mandate for VIA Rail, an appropriate legal and corporate environment, fair access to the rail infrastructure, and access to private sector investment for new equipment (Ivany, 1997).

VIA faces additional, systemic problems as a direct result of the nature of its relationship with its political masters. For example, decisions regarding the cities and areas that VIA is required to serve are subject to partisan-based political interference. This has been a problem for VIA since its inception. Early cuts to its service area, for instance, were made without consulting either VIA or the commission which was responsible for it. They were instead made by the Minister of Transport and Transport Canada, and little consideration was given to the impact such cuts would have on service quality or ridership levels (Stevenson, 1988). Such interference has meant that throughout much of its existence, passenger rail service has been curtailed or eliminated in constituencies held by the opposition, and improved or restored to ridings held by the government. In a similar fashion to the governments before it, the Harper Tories have continued to use VIA for blatantly partisan ends. In February 2008, for example, the Harper Tories announced that rail service would be restored between Toronto and Peterborough. This new line would run through the riding held by the Minister of Finance, Jim Flaherty, and would terminate in an important "swing" riding recently won by a young Tory, Dean Del Mastro. While such rail service would certainly improve the public transit system in the Greater Toronto Area, and while it remains unclear whether VIA or GO Transit, the provincially-owned commuter rail authority, will provide the service, the announcement was made without any prior consultation with VIA or provincial transport officials, and appears to have been made solely for partisan political gain. VIA's responsibility to provide both service to remove communities and year-round transcontinental service are likewise dictated by its principal "shareholder." Requiring VIA to provide service to remote communities is understandable, given the federal government's obligation to provide affordable, ground transportation to all communities, but the business case for winter train service in the prairies is less convincing.

The federal government must also bear the ultimate responsibility for the fact that VIA's train schedule is thin and its train times inconvenient, as well as for the fact that its trains arrive late. Ostensibly, these problems are the fault of CN, which dictates VIA's departure times and gives its own freight trains priority over VIA's passenger trains. However, the federal government is the authority responsible for all rail regulatory policy, and it has never made any real efforts to ensure that VIA's trains leave at convenient times or arrive in a punctual manner by, for instance, including some effective incentives or penalties in VIA's rail sharing agreement with CN. The government certainly has sufficient policy levers available to entice CN to behave more favorably towards VIA; however, it chooses not to use them. As a result of this, CN has no interest in ensuring that VIA is able to provide its customers with a high quality passenger experience. This has been VIA's reality for its entire lifespan – even when CN was a publicly owned Crown – and the situation has not changed since CN was privatized in 1995. In fact, of late, CN has shown an even greater unwillingness to accommodate VIA's needs. VIA and CN have recently signed a new track sharing agreement that is supposedly intended to readdress some of VIA's service deficiencies, but if history is any indicator, there will be little concrete changes in the relations between these two organizations.

Delays in the arrivals and departures of VIA's trains are also the result of old equipment. The federal government's failure to provide VIA with sufficient capital to purchase new trains means that VIA's aging rolling stock is subject to breakdown (and associated passenger delay). As mentioned earlier, the government has also provided limited funds to VIA for the purpose of improving track infrastructure. Reducing the number of 'pinch points,' for instance, would help to improve the flow of passenger traffic. Even given the limitations of VIA's arrangement with CN and the problems with the track infrastructure it uses, it would be possible, if the political will were present, for its trains to arrive on time. This is demonstrated by the fact that when Elizabeth May, the leader of the Green Party, embarked on a VIA train for a cross country tour during the 2008 election campaign, her train was, except for the first stop, miraculously on time while it made its way across the country (Contenta, 2008). Having a leader of a national party and a coterie of reporters with her must have induced CN to ensure that this particular VIA train made its stops in a punctual manner.

CN has a vested interest in a marginally run VIA Rail. If VIA were to provide convenient, timely service, it would make taking the train, particularly in the central Canadian corridor, a much more attractive transit option. More VIA passengers, of course, would mean additional trains on CN's tracks, and these trains, in turn, would likely impede its own freight hauling business. It is not surprising, then, that the profit maximizing CN, gives its own hundred-car freight trains, which carry multiple millions of dollars in goods, priority over VIA's passenger trains that, at best, carry a few hundred passengers each. The optimal outcome for CN would be if VIA disappeared altogether.

CN is a large, very profitable and influential corporate entity. It is able to extract monopoly rents from its shipping clients, given the duopolistic nature of the Canadian rail market place that it shares with CP. In 2008, it earned a staggering net income of $1.89 billion on revenues of $8.48 billion (CN, 2008). CN therefore has a vested interest in protecting its privileged position in the rail sector specifically, and the transportation industry more generally, from calls and actions that would potentially threaten its profits. In other words, it must protect its market share in the political sphere as well as in the marketplace. To do this, CN has a sophisticated, well funded and experienced government relations division that, to date, has been effectively able to maintain the current structure and rules of the marketplace in which CN operates. Attempts to increase competition in the freight rail sector by permitting smaller operators to use their own rolling stock on CN's (or CP's) tracks, and competitive bids for shipping contracts, have not materialized. (This is in contrast to the situation in the telecommunications industry, where the former telephone monopoly in central Canada, Bell, has had to allow smaller phone service carries to use its telephone infrastructure to provide service to customers). Forced "sharing" of track infrastructure has occurred in jurisdictions such as Australia (Tougas, 2008), but not in Canada. This shows that CN has been able to influence government policy to maximize its corporate interests.

Hostility of Other Transport Interests Towards a Publicly Owned Entity

There are number of other transportation interests that are hostile towards VIA Rail and have a vested interest in its marginal operation. Air travel providers, bus lines and the automobile industry, all of which are primarily based in, and conduct much of their business in, the Windsor – Quebec City corridor. Air travel providers, the automobile and the bus industry, as well as other organizations and firms involved in the provision of these transportation services, resent a publicly owned and operated competitor that receives direct funding from the federal government. Ontario is Canada's manufacturing heartland that is centred on automobile manufacturing and the supplier firms that support this sector. The bus transport industry, in particular, views VIA as a direct competitor to its services and, like many of these industries and their advocacy organizations, is well connected within Canada's political establishment. Some small rail tourist operators, likewise, resent a publicly owned and operated competitor.

All of the quality passenger rail services throughout the world are provided by publicly owned and operated rail companies. The necessity of using a public monopoly to provide rail service, and the direct nature of the operational and capital funds needed to make such services viable, make VIA an easy target from competitor firms who are less reliant on – direct – subsidies from the government. In more ideological terms, the structure of passenger rail service is also susceptible to criticism from advocates of competitive markets, who see such markets as being the optimal mechanism for solving collective action problems, and who disparage direct forms of intervention in the economy by the government more generally. Many of the reforms of the public sector over the last twenty years have emerged from a neoliberal-type philosophical basis, such as the much-lauded New Public Management (NPM). Such philosophies are antithetical to recognizing the importance and value of a public monopoly, which is generally what is required to provide passenger rail service.

There are, however, a number of problems with these types of neoliberal criticisms of VIA. While VIA's subsidies are direct and highly visible, this does not mean that the automobile industries or airlines did not and do not receive them as well. Much of the Canada's airports, roads and highways were built in the postwar period with public monies, and much of the manufacturing base in central Canada, including the automobile and aerospace industries, was build with the direct and indirect assistance of both provincial and federal governments. (Recent attempts to save General Motors and Chrysler from liquidation have required the expenditure of billions of dollars of public money; in fact, the government of Canada is now an equity owner in Chrysler and will appoint one member of its board). More importantly, however, the prices paid by consumers to fly or travel by car, for instance, do not adequately account for the negative externalities associated with these types of travel, the most significant of which are the associated air pollution and relatively inefficient use of fossil fuels required for such means of transport. In terms of relative pollution and the efficient use of fossil fuels, travel by train is superb by comparison.

(In)Conclusions: Passenger Rail in Canada after Thirty-Years

Few of this paper's observations regarding VIA are particularly novel. Over the course of its lifetime, there have been numerous reports and studies that have examined VIA, identified its critical problems, and made reasonable and straightforward recommendations for improvements to its service and resolutions to its shortcomings (Mozersky et al., 1984; McQueen, 1985; House of Commons Standing Committee on Transport, 1998; VIA, 2000, among others). Key recommendations common to all of these studies were that the federal government provide VIA with an adequate amount of stable capital and operational funding as well a clear mandate as to purpose it is designed to serve (by, for example, providing it with a basis for existence in legislation); that substantial reforms be made to VIA's governance structures; and that some sort of incentive system be included in VIA's rail sharing agreement with CN, in order to allow for an increase in VIA's passenger capacity and ensure the punctual arrival of its trains. Reforms made to other publicly owned Crown corporations such as the ones made at the Liquor Control Board in Ontario (LCBO) in the mid-1980s (which marked the beginning of its very successful organizational makeover), could provide a template on how to reform VIA. Foremost among the key changes made at the LCBO was the removal of the old board of directors and senior executives, and subsequent hiring of a new board and executive team with specific business expertise. There was also explicit agreement redefining the role of the government in the operations of this retailer, which in practice meant an end to political interference with the LCBO's business decisions. The government also provided the LCBO with adequate capital allotments, which were needed to modernize the LCBO's retailing and wholesale operations (Bird, forthcoming). Given that the policy prescriptions necessary to fix VIA's problems are relatively simple, well documented and technically feasible ones, why has so little been done to change this organization and prevent its slow and steady decline? Why have successive federal governments – both Liberal and Conservative – permitted it to exist in its current – problematic – form, and why have they treated it with such indifference? Given that so many successive governments have treated VIA with such indifference, and so many influential interests would prefer that it disappear, why does VIA continue to exist at all? There are, so far, no clear answers to these questions, but there are, however, a number of possible explanations for VIA's current condition.

Most obviously, the actions of both the federal government and CN remain paramount in any attempt to explain the current condition of VIA. As mentioned previously, there is considerable hostility towards VIA from within the federal bureaucracy. The direct and visible nature of the subsidies VIA requires, and the fact that relatively few (and mostly central) Canadians that regularly use VIA, operate to make real changes to it a relatively low priority for any federal government. CN, again as previously discussed, is a powerful corporate entity that has a vested interest a marginal VIA, and would prefer to see it disappear altogether, and CN has at least some capacity to influence the action (or inactions) of the federal government. What is not apparent, however, is whether the federal government's general neglect of VIA is due to its own, internal, hostility towards it, or if it is acting in response to an effective lobbying campaign bought about by CN. Obviously, both factors are at play, but it is unclear which factor is the dominant one. Regardless of which factor dominates, however, it is evident that both the federal government and CN's are antipathetic towards VIA. This raises the question: why, then, does VIA continue to exist at all? Many Crown corporations have been privatized over the last thirty hears, and their assets sold off, in order to reduce government expenditures. Why has VIA not been one of them? Liquidating VIA would please CN, because it would no longer have to accommodate passenger trains on its network. Liquidating VIA would also relieve the government of its perpetual capital and operation fiscal obligations towards this Crown corporation.

There are a number of possible explanations as to why VIA rail not been eliminated, and has been retained in public hands in its current form. It is not, however, obvious to the author as to which factor, or sets of factors, is the most significant. To start, perhaps successive governments have opted to maintain VIA in its current state because to radically alter it, either by liquidating it or improving it, would require the expenditure of too much political capital for relatively marginal political gain. Canadians, particularly older ones, have a favourably nostalgic view of rail travel. While such nostalgia may not be reflected in strong ticket sales, soldiers went off to war by train and many Canadians first saw this vast country from inside a rail car. To eliminate Canada's public passenger rail service could accordingly spark a strong public outcry that many politicians could well do without. There is also a small and dedicated group of rail enthusiasts who ardently support of VIA Rail.

There are other possible reasons for the retention of VIA as a Crown corporation in the current form. VIA is an environmentally friendly travel choice that helps to alleviate congestion on roads, highways and airports. If the government were to eliminate such a travel alternative, such a decision might be perceived as embarrassing, particularly given the public's increasing concern about and awareness of global warming. VIA also provides accessible public transportation to the disabled and the elderly. In addition, VIA's trains carry a number of foreign tourists, particularly on its transcontinental routes, many of whom come from nations with sophisticated passenger train networks. Were

Canada not to have a viable train system, this could again be viewed a bit of a national embarrassment.

VIA also serves an important "national unity" purpose. It links the country from coast-to-coast (to coast), and provides a link between English and French Canada. As mentioned previously, it is a fully bilingual organization with its head office (employing 400 people) in Montreal. Furthermore, VIA conducts the majority of its business within the Ontario-Quebec corridor. VIA also provides service to a number of remote communities that would otherwise not be served by a year-round ground-based transportation link. In this sense, VIA's more popular and profitable routes subsidize other less patronized routes. Without VIA, the federal government would still be responsible for providing transportation to these communities. (A similar argument is made with respect to Canada Post, which must also provide service to the entire country, regardless of cost or utilization rates). Perhaps, as well, VIA is one of the few remaining organizations where people who have been faithful to the ruling party can be rewarded with an appointed posting or position within the organization, and where contracts to do work for it can be allocated to economically depressed areas of the country, potentially for partisan gain.

To effectively reform VIA, one would most likely be required to overhaul its human resources policies and collective bargaining contracts. Perhaps there insufficient political will to do so, in light of the fact that such actions could lead to labour unrest. Cooperation from VIA's unionized staff would be essential for any real reform to be successful. Finally, VIA and its management has successfully been able to please (or, at the very least, not create problems for) its political masters. This is evident from the fact that successive governments have continued to fund its operations and to support its public transportation role, however marginally. VIA's "survival" strategy can therefore be seen, in some lights at any rate, as largely successful, even though it has not allowed VIA to realize its full potential. Maintaining the status quo for VIA must, in the eyes of the federal government at least, be the most politically efficient outcome. Otherwise, VIA would not exist today in its current form.

Conclusions: An Open Policy Window?

In theory, at least, a policy window that would allow for real reform could be opening for VIA Rail (Kingdon, 1984). The problem of global warming as well as the increased demand for fossil fuels needed for economic growth, particularly in the developing world, means that humankind needs to find some plausible ways to reduce pollution and use limited resources more efficiently. Encouraging more people travel by train could be one way to reduce or, at least, partly mitigate, the growth of automobile and plane traffic and the resultant pollution from these forms of transportation. What is missing, obviously, is the political will to make VIA Rail work properly. But perhaps the political will to augment and bolster this type of institutional arrangement – a publicly owned and operated monopoly, which is critical to the success of passenger rail – will be created, as a result of a wider shift in the relations between society, the market and the State - particularly noticeable in our southern neighbor, the United States. As the world economy, led by the US, wallows in its current recession, brought about, at least in part, by the United States' poorly governed and regulated housing and financial markets, more individuals and governments have rediscovering the value and importance of the role the State must play in the economy. Governments in Canada and the US are running larger deficits, are engaging in Keynesian-style stimulus spending, and even are taking ownership stakes in many industries and companies, most notably in the automobile and financial sectors. Unbridled belief in the free-market is waning as the Reagan-inspired, anti-government era comes to a close.

Barak Obama made a conscious point to arrive at his inauguration by train. Perhaps this action, specifically, and renewed belief in and support for a strong, interventionist government, more generally, will work in VIA's favour. Public monopolies serve Canadians well in the health insurance sector, and if the necessary effort and will were applied to VIA, could do the same for passenger rail. If we look at VIA's history, such a prognosis does not seem likely, but maybe the next thirty years will be better ones for Canada's VIA Rail.

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Appendix A – VIA's Operations Statistics, 1980-2008

Year	Number of Passengers (millions)	Passenger Miles (millions)	Operational Subsidy ($ millions)	Capital Subsidy ($ millions)	Total Gov funds (millions$)	Employees (thousands)	Yield (revenue cents per passenger mile)
1980	7,586	1,928	320.1	94.6	414.7	4,200	7.1
1981	8,009	1,936	399.8	109.4	509.2	4,135	8.3
1982	7,223	1,577	449.1	103.8	552.9	3,640	9.9
1983	6,730	1,533	451.2	135.1	597	3,474	11.3
1984	6,960	1,556	397.8	153.6	473	3,653	11.7
1985	7,034	1,543	523.6	108	631.6	4,178	12.7
1986	6,286	1,405	462	44	506	5,370	14.1
1987	5,865	1,300	452.3	84	536	5,726	14.5
1988	6,415	1,428	509.2	126	636.6	6,873	14.7
1989	6,457	1,517	470.9	60.6	530.9	6,594	15.3
1990	3,536	785	350.3	31.5	381.8	4,525	18.2
1991	3,633	820	328	40.1	368.1	4,402	18.3
1992	3,601	817	331.3	44.7	375.9	4,478	19.1
1993	3,570	820	321	11.8	332.8	4,131	20
1994	3,586	834	262.1	25.3	287.4	3,718	21.2
1995	3,597	859	222.3	39.6	261.9	3,178	20.4
1996	3,666	892	205.3	20.7	226	3,000	20.7
1997	3,765	884	196	16.4	212.4	2,969	21.6
1998	3,646	856	178.4	0	178.4	2,952	23.4
1999	3,757	931	170	0	170	2,909	22.6
2000	3,957	942	164.4	45.9	210.3	2,958	24
2001	3,865	921	163.3	151.7	315	3,013	25.3
2002	3,981	948	153.7	103.4	257.1	3,054	26.6
2003	3,789	857	181.1	82.4	263.5	3,051	26.8
2004	3,887	851	177.4	20.2	197.7	3,027	28
2005	4,097	888	169	0.7	169.9	3,059	28.6
2006	4,091	874	169	0	169	3,003	30.3
2007	4,181	874	200.6	12.4	213	3,017	30.5
2008	4,605	951	214.2	42.1	256.3	3,109	29.6

All figures were derived from annual reports or other documents from VIA Rail. Figures start in 1980, since VIA did not take over all passenger service from CN until mid-1979. Yield (passenger revenue per passenger mile in cents) figures were derived from annual reports when available, but it is important to note that documents from some early years did not include passenger miles from tour travel in their calculations. The author calculated the data for years 1990 to 1998, and he was not able to distil tour miles from regular passenger miles. Accordingly, the calculations for these years are slightly higher than they would have been if tour miles had been excluded (by approximately 4% –5%). Total government contributions do not include “reorganization” charges paid by the government between 1990 to1997 and in 2000. Numbers include deposits into the Asset Renewal Fund (ARF), but do not include withdrawals from fund. “Restated” figures further complicated data analysis and calculations.