

**VIA HFR – VIA TGF Inc.**

**Quarterly Financial Report for the Period Ended**

**December 31, 2023**

**Quarter 3**

**UNAUDITED**

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

## VIA HFR – VIA TGF Inc. Mandate

VIA HFR – VIA TGF Inc. (VIA HFR) was incorporated on November 29, 2022, in accordance with the *Canada Business Corporations Act*. It reports to Parliament directly through the Minister of Transport. Its mandate is to develop and implement the High Frequency Rail project with the private sector, including the design, construction, financing, operation, and maintenance of passenger rail services in Ontario and Quebec. VIA HFR is a wholly owned subsidiary of VIA Rail Canada Inc. (Via Rail), but it operates at arm's length and acts as a parent Crown Corporation under the *Financial Administration Act*, with some exceptions in accordance with Order in Council P.C. #2022-0260.

## High Frequency Rail (HFR) Project Overview

The HFR project is a proposed investment in new infrastructure to transform passenger rail service in Canada. With over 1,000 km of new passenger rail service planned between major centres of Québec City, Trois-Rivières, Montréal, Ottawa, Peterborough, and Toronto, HFR will help build a better future for Canadians with new trains running on mostly electrified and dedicated passenger tracks. This new corridor will use trains that will run faster, more frequently, and on time, making it faster and easier for people in Canada's most populated areas to travel for work or play.

A competitive procurement process is underway. In July 2023, the Government of Canada announced the three teams qualified in the Request for Qualifications (RFQ) process. On October 13, 2023, the Government of Canada launched a Request for Proposals (RFP). Through the RFP, the Government of Canada will select a private sector partner to collaborate with VIA HFR to co-develop and optimize the project prior to a final investment decision by the Government of Canada.

VIA HFR's top priorities for the upcoming quarter are to support the RFP process, to recruit resources to strengthen VIA HFR's capacity to deliver on its mandate, and to review and update the communications and engagement approach to ensure Canadians are well informed about the benefits of this transformative project.

## Objectives, Activities, and Expected Results for 2023-24

This section summarizes VIA HFR's objectives, activities and expected results. Some activities will persist beyond this fiscal year to complete the Procurement phase and prepare the Corporation for the Co-Development phase, which is expected to begin in fiscal year 2024-25. Full details can be found in VIA HFR's 2023-24 Summary Corporate Plan.

### Objective 1: Establishing and Operationalizing VIA HFR

#### Activities

- Establish appropriate governance processes and corporate policies to staff the organization effectively to undertake VIA HFR's objectives for the Procurement and future phases
- Establish organizational processes, continue to add resources, and develop forecasting requirements and reporting processes to progress to the Co-Development phase.

#### Expected Results

- VIA HFR hires key staff and is able to advance its immediate priorities.

#### Status

- On track

### Objective 2: Providing expert advice and acting as the technical lead to the Transport Canada-led procurement process

#### Activities

- Provide strategic advice (financial, market and commercial) on selection criteria and proposal evaluation and process;
- Provide quality assurance services for technical and engineering deliverables;
- Develop commercial and technical components of Pre-Development Agreement.

#### Expected Results

- The HFR Procurement process is successful with the selection of a private developer partner that has an actionable proposal that respects the scope, cost, timing, and parameters of the project.

#### Status

- On track

### Objective 3: Leading select HFR-enabling activities

#### Activities

- Advance engagement with host railways with respect to track access;
- Support the impact assessment and regulatory approvals, including conducting technical/field/engineering studies, public engagement activities and identification of mitigations and accommodations;
- Prepare for Indigenous consultations, including fulfilling the Crown's duty to consult through dialogue and co-development of mitigation and accommodation measures;
- Explore mechanisms to support the participation of Indigenous peoples in consultation and engagement activities for the project;
- Assess safety-related requirements;
- Plan and prepare for land acquisition and utility management;
- Identify construction permit requirements and conduct geotechnical work to de-risk the project and advance the impact assessment process;

#### Expected Results

- HFR-enabling activities advance as planned to support project timelines during the Procurement phase and future phases;

#### Status

- On track

### Objective 4: Strategic advisor to the Minister of Transport and supporting organization

#### Activities

- Provide briefings to the Minister of Transport, covering VIA HFR's range of responsibilities;
- Maintain the project business case, including annual updates to reflect the progress of main features of the project and business environment.

#### Expected Results

- The Minister of Transport is satisfied that VIA HFR is delivering its mandate effectively.

#### Status

- On track

### Objective 5: Project Management

#### Activities

- Implement a Project Management Plan describing how the HFR project will be executed, monitored, controlled, and reported;
- Monitor project costs, schedule, and scope to ensure consistency with the Project Charter and other project governance documents;
- Identify strategic options to address project engineering, and technical, market, commercial, and financing issues that significantly impact scope, budget, and schedule.

#### Expected Results

- Project advancement is closely monitored and reported; adjustments to project scope, timing and costs are appropriate; project risks and associated mitigation measures are identified, managed, and tracked and, the project's activities are consistent with the Project Charter.

#### Status

- On track

## Risk Management

The main project risks for VIA HFR include:

- Establishing VIA HFR as a capable Project Development Office
- Securing access to infrastructure and land
- Meeting Project Objectives

Risk Management is a fundamental component of the HFR project, which has several risk management objectives:

- Establishing a culture of proactive risk management;
- Establishing a consistent framework for risk identification, assessment, control, and reporting; and,
- Identifying risk owners to ensure accountability.

VIA HFR maintains effective corporate risk management to ensure that risks are identified, assessed, and managed appropriately. A full assessment of VIA HFR's corporate risks, potential impacts and risk mitigations will be reported in its 2023-24 Annual Report.

A risk register has been developed jointly by VIA HFR and the Government Office (led by Transport Canada) and is reviewed regularly. This risk management process allows project officials to stay ahead of the risks associated with the HFR project.

Some of the HFR project's risks will be borne by the Government of Canada, some jointly with the Government of Canada and VIA HFR, and some primarily by VIA HFR. Risks borne by the Private Developer Partner will be further elaborated in future Corporate Plans.

Risk management is a top priority for VIA HFR, and an ongoing process that identifies and assesses risks and mitigation strategies as they evolve through the phases of the project.

***With respect to VIA HFR's Objectives, Activities, and Results for 2023-24, the following risks outlined in the 2023-24 Corporate Plan continue to be monitored, mitigated, and effectively managed:***

### **Objective 1: Establishing and Operationalizing VIA HFR**

Results: VIA HFR has hired key staff and is able to advance its immediate priorities.

Risk: Delays in the hiring of senior management and staff hinders the advancement of the project. VIA HFR is unable to develop and deliver these activities on a timely basis.

### **Objective 2: Providing expert advice and being the technical lead to the Government Office-led procurement process**

Results: HFR Procurement is successful with the selection of a Private Developer Partner that has an actionable proposal that respects the scope, cost, timing, and parameters of the project.

Risks: Approaches are advanced by proponents outside the project outcomes (for example, project scope, costs, timing and/or impacts), and are not sufficiently addressed by VIA HFR or the Government Office. Delays in operationalization of VIA HFR affect its capacity to meet its mandated requirements during the Procurement phase.

**Objective 3: Leading select HFR-enabling activities**

Results: HFR-enabling activities advance as planned to support project timelines, during the Procurement phase and future phases.

Risks: Potential delays in project activities affect the critical path.

**Objective 4: Strategic advisor to the Accountable Owner and supporting organization**

Results: The Accountable Owner, the Minister of Transport, is satisfied that VIA HFR is delivering its mandate effectively.

Risks: The Accountable Owner and Transport Canada may not be effectively informed of, or advised on, strategic issues affecting the progress of enabling activities or the project scope, timing, costs, or impacts. Delays in operationalization of VIA HFR affect its capacity to meet its mandated requirements during the Procurement phase.

**Objective 5: Project Management**

Results: Project advancement is closely monitored and reported; adjustments to project scope, timing and costs are appropriate; project risks and associated mitigation measures are identified and tracked and, the project's activities are consistent with the Project Charter.

Risks: Project management monitoring does not reflect project needs.

## Performance Highlights of Financial Results for the Fiscal Quarter

This document presents the third quarterly report for VIA HFR, covering the period of October 1, 2023, to December 31, 2023. On October 13, 2023, the Government of Canada launched the Request for Proposals (RFP) process for the HFR project. VIA HFR contributed significantly to the development of RFP strategy and materials and is actively involved in supporting the RFP process through provision of expert analysis and advice on technical and strategic issues, described further below.

Since the last quarterly update, VIA HFR has continued to grow in order to support the RFP process. By the end of December, VIA HFR had 60 full-time resources, and had hired an additional 10 employees with start dates in early 2024. This growth rate will be important to maintain in order for VIA HFR to be prepared to lead the project in the Co-Development phase expected to begin in Fall 2024 and be an effective counterparty to the Private Developer Partner.

The increase in human resources is also requiring VIA HFR to review its office spaces. The current space in Toronto is expected to meet demand for the foreseeable future. Staffing in Quebec City will eventually necessitate dedicated premises, that city and the Montreal office is experiencing space constraints. VIA HFR is actively exploring options in those two markets. This will foster better collaboration between staff and stakeholders across the corridor.

In collaboration with Transport Canada, VIA HFR has clarified the roles and responsibilities of the Corporation during the Procurement phase and is advancing similar analysis for the Co-Development phase. This is important for the smooth transition to VIA HFR becoming the counterparty in the Pre-Development Agreement with the winning bidder.

VIA HFR continues to focus on supporting the RFP process. Working with Transport Canada, Infrastructure Canada and Public Services and Procurement Canada, VIA HFR subject matter experts are actively participating in Commercial Confidential Meetings with bidders, responding to questions from bidders, and reviewing interim products. These activities are helping to de-risk the procurement and overall project by providing clarity to bidders, and prospective partners, at early stages.

VIA HFR remains focused on advancing other important project-related activities and preparing for the impact assessment process, including the planning of field studies on existing track and public lands; planning land acquisition strategies; assessing safety-related requirements; and engaging with host railways to understand the conditions of their assets and their access. VIA HFR continues to carry out early engagement activities with potentially impacted Indigenous communities, public sector stakeholders, and local organizations to establish the foundation for more substantive consultation and collaboration processes.

VIA HFR is meeting current demands, while focusing on the future needs of the project and the organization and is on the right trajectory for a successful transition to the Co-Development phase of this project.



For fiscal year 2023-24, Parliament appropriated \$43.67M for VIA HFR through the 2023-24 Main Estimates, the first ever appropriations for the new Crown Corporation. To this, \$8M of funding was added through the Government of Canada's Supplementary Estimates B appropriation process. Spending of \$0.48M in the first quarter reflected the Corporation's start-up phase. In the second quarter, VIA HFR's spending increased to \$11.92M reflecting a higher headcount after the assignment of the contracts from the Technical Team, and the expenses associated with their work activities. Spending reached \$15.187M in the third quarter to further meet the demands of managing a project of this size. The utilization for the full year is trending towards the \$51.67M in appropriations for 2023/24.

<b>Budgeted Expenditure Categories (Thousands of dollars)</b>	<b>2023/24 (Total Targeted Spend)</b>
<b>Management &amp; Support:</b> Salary and Wages	\$2,662
<b>Management &amp; Support:</b> Other Operating Costs	\$1,977
<b>Technical Office:</b> Specialized individuals retained under contract	\$5,090
<b>Technical Office:</b> Engineering, accounting, procurement, legal, technical and communication services	\$41,941
<b>Totals:</b> Salary and Wages	\$2,662
<b>Totals:</b> Other Operating Costs	\$49,008
<b>Grand Total</b>	<b>\$51,670</b>

# INTERIM QUARTERLY FINANCIAL STATEMENTS

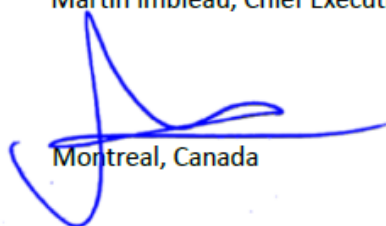
VIA HFR – VIA TGF Inc. Unaudited Quarterly Financial Statements for the Third Quarter of 2023-24

## Statement of Management Responsibility for Financial Information

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada's *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Reports*, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.

Martin Imbleau, Chief Executive Officer



Montreal, Canada

Tom Roberts, Chief Financial Officer



Ottawa, Canada

March 1<sup>st</sup>, 2024

VIA HFR – VIA TGF Inc.  
**Quarterly Statement of Financial Position - Unaudited**  
**As at December 31, 2023**  
**(Thousands of dollars)**

	31-Dec 2023
<b>Financial assets</b>	
Cash	\$4,897
Government Funding Receivables	\$3,641
<b>Total financial assets</b>	<b>\$8,538</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$8,538
<b>Total liabilities</b>	<b>\$8,538</b>
<b>Net debt/surplus</b>	
Non-financial assets	
Tangible capital assets	\$ 0
Pre-paid expenses	\$0
<b>Total non-financial assets</b>	<b>\$0</b>
<b>Accumulated Deficit</b>	<b>\$0</b>
Accumulated surplus is comprised of:	
Accumulated operating surplus	\$0

*The accompanying notes are an integral part of these financial statements.*

VIA HFR – VIA TGF Inc.  
**Quarterly Statement of Operations - Unaudited**  
**for the three months and nine months ended December 31, 2023**  
**(Thousands of dollars)**

	<b>12 Months Ending March 31, 2024</b>	<b>3 Months Ended December 31, 2023</b>	<b>9 Months Ended December 31, 2023</b>
	<b>(2023-24 Budget)</b>	<b>(Actual)</b>	<b>(Actual)</b>
<b>Revenues</b>			
Parliamentary appropriations – Note 3	\$51,670	\$15,187	\$27,590
Interest revenue	\$0	\$0	\$0
<b>Total revenues</b>	<b>\$51,670</b>	<b>\$15,187</b>	<b>\$27,590</b>
<b>Expenses</b>			
Operating expenses – Note 4	\$51,670	\$15,187	\$27,590
<b>Total expenses</b>	<b>\$51,670</b>	<b>\$15,187</b>	<b>\$27,590</b>
<b>Operating Deficit</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Accumulated surplus (deficit) at the beginning of the period</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Accumulated operating surplus (deficit) at end of period</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*The accompanying notes are an integral part of these financial statements.*

VIA HFR – VIA TGF Inc.

Quarterly Statement of Change in Net Financial Assets (Net Debt) - Unaudited  
for the three months and nine months ended December 31, 2023  
(Thousands of dollars)

	3 Months Ended December 31, 2023	9 Months Ended December 31, 2023
<b>Deficit for the Period</b>	\$0	\$0
<b>Tangible Capital Assets</b>		
Acquisition of tangible capital assets	\$0	\$0
Amortization of tangible capital assets	\$0	\$0
	\$0	\$0
<b>Non-Financial Assets</b>		
Changes in prepaid expenses	\$0	\$0
<b>Change in net deficit</b>	\$0	\$0
<b>Net surplus (debt) beginning of period.</b>	\$0	\$0
<b>Net surplus (debt) end of Period</b>	<b>\$0</b>	<b>\$0</b>

*The accompanying notes are an integral part of these financial statements.*

VIA HFR – VIA TGF Inc.  
**Quarterly Statement of Cash Flow - Unaudited**  
**for the three months and nine months ended December 31**  
**2023**  
**(Thousands of dollars)**

	<b>3 Months Ended December 31, 2023</b>	<b>9 Months Ended December 31, 2023</b>
<b>Operating transactions</b>		
Net deficit end of period	\$0	\$0
Change in accounts payable	(\$ 796)	\$8,538
Change in accounts receivable	\$5,510	(\$3,641)
<b>Cash provided by operating activities</b>	<b>\$4,714</b>	<b>\$4,897</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets		
<b>Cash provided by capital transactions</b>		
<b>Investing transactions</b>		
Cash used for investment activities	0	0
<b>Cash provided by investing transactions</b>	<b>0</b>	<b>0</b>
<b>Increase in cash</b>	<b>\$4,714</b>	<b>\$4,897</b>
<b>Cash at the beginning of period</b>	<b>\$183</b>	<b>\$0</b>
<b>Cash at the end of Period</b>	<b>\$4,897</b>	<b>\$4,897</b>

*The accompanying notes are an integral part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTHS AND NINE MONTHS ENDED DECEMBER 31, 2023

Unaudited

## 1. General Information

These interim financial statements have been prepared by management following the requirements set out by section 131.1 (1) of the [Financial Administration Act](#) which requires most parent Crown Corporations to prepare and make public quarterly financial reports in compliance with the Treasury Board Standard on Quarterly Financial Reports for Crown Corporations.

These interim financial statements have not been subject to an external audit or review and comprise the first set of financial statements to be prepared by VIA HFR – VIA TGF Inc. These financial statements should be read in conjunction with the narrative discussion included in this quarterly financial report.

### Authorities and Activities

VIA HFR was incorporated on November 29, 2022, in accordance with the Canada Business Corporations Act. It reports to Parliament directly through the Minister of Transport. Its mandate is to develop and implement the HFR project with the private sector, including the design, construction, financing, operation, and maintenance of passenger rail services in Ontario and Quebec. The mandate may only be amended with the approval of the Governor in Council (Order in Council P.C. 2022-261; Order in Council P.C. 2022-259; both dated March 24, 2022). VIA HFR is a wholly owned subsidiary of VIA Rail Canada Inc.; it operates at arm's length. VIA HFR acts as a parent Crown Corporation under the Financial Administration Act, with select exceptions in accordance with Order in Council P.C. #2022-0260.

## 2. Significant Accounting Policies

### A. Basis of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) and are reported in Canadian dollars.

### B. Measurement of uncertainty

The preparation of the quarterly financial statements in accordance with the PSAS requires management to make estimates and assumptions that affect the reported amounts of financial assets, liabilities, and non-financial assets at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

VIA HFR currently does not have items requiring the use of significant estimates and judgment.

### C. Cash

Cash consists of cash held in VIA HFR's bank accounts.

**D. Accounts receivable**

Accounts receivables are recorded and carried at cost.

**E. Accounts payable and accrued liabilities**

Accounts payable relate to the amount the Corporation owes and are recorded and carried at cost.

**F. Expenses**

Expenses are recognized in the period in which they are incurred. Estimates for accruals are made at the end of each period.

**G. Interest revenue**

Interest on cash deposits is recorded in the period in which it is earned.

**H. Revenue recognition**

VIA HFR receives funding based on incurred expenses and cash flow needs. Revenue is recognized in the financial statements when funding is authorized by Transport Canada.

### 3. Parliamentary Appropriations

Parliamentary appropriations are recognized as revenue when eligibility criteria are met, up to the limit of the voted authority. Any portion of a parliamentary appropriation to which VIA HFR is entitled to but has not received is recognized under Accounts Receivable from the Government of Canada.

Of the parliamentary appropriations approved (\$43.7M through the 2023-24 Main Estimates and \$8M in supplementary estimates), \$2.2M was received in the first quarter, \$10.2M was received or receivable in the second quarter and \$12.8 M was received in the third quarter. Government funding has been appropriated and VIA HFR is eligible based on costs incurred by VIA HFR.

VIA HFR had no other sources of income in the third quarter third, and as 2023-24 represents the first year of operations, there are no previous third quarter financials with which to compare. There was a carry-forward surplus of \$1.7M from the first quarter to the second quarter. There was no carry forward to the third quarter.

By the end of the third quarter of Fiscal year 2023-24, \$25.2M of VIA HFR's parliamentary appropriations have been drawn down.



## 4. Operating Expenses for the nine months ended December 31, 2023

<b>Expenditure Categories (Thousands of dollars)</b>	<b>2023/24</b>
<b>Business Travel</b>	\$151
<b>Compensation and Benefits</b>	\$4,124
<b>Property Space Rental</b>	\$598
<b>Professional Services:</b> Engineering, accounting, procurement, legal and other specialized individuals under contract.	\$22,313
<b>Voice and Data Telecommunications</b>	\$135
<b>Office</b>	\$44
<b>Other</b>	\$225
<b>Grand Total</b>	<b>\$27,590</b>

## 5. Related Party Transactions

VIA HFR is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. VIA HFR enters into transactions with these entities in the normal course of business. However, these entities do not have control over its daily operations. These transactions are measured at the exchange amount.

VIA HFR receives a variety of back-office services from VIA Rail in the areas of finance, human resources, information technology, and facilities management. This includes the use of underlying systems, such as VIA Rail's financial system. Amounts owing for these services are tracked as Accounts Receivable by VIA Rail, and Accounts Payable by VIA HFR, totaling \$1,279K at the end of the third quarter. The balance of the accounts payable and accrued liabilities reported in this quarterly financial report relate to other expenses incurred before December 31, for which invoices were not received and entered in the financial system by December 31.