



QUARTERLY FINANCIAL REPORT

hfr-tgf

Period Ended
June 30, 2024

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Management's Discussion and Analysis

VIA HFR – VIA TGF Inc. Mandate

The mandate of VIA HFR – VIA TGF Inc. (VIA HFR or the Corporation) is to develop and implement the High Frequency Rail project including the design, construction, financing, operation and maintenance of passenger rail services in Ontario and Quebec through one or more agreements with the private sector, in cooperation with the Minister of Transport, and in accordance with the Minister's Statement of Priorities and Accountabilities (Mandate Letter) provided upon its incorporation.

Key Authorities

Incorporated on November 29, 2022, under the *Canada Business Corporations Act*, as per Order in Council P.C. 2022-0259, and under the authority of Order in Council P.C. 2022-0261, the Corporation is accountable to Parliament through the Minister of Transport. As a wholly-owned subsidiary of VIA Rail but operating at arm's-length from its shareholder, the Corporation acts as a parent Crown corporation under the *Financial Administration Act (FAA)*, with some exceptions, in accordance with Order in Council P.C. 2022-0260.

Vision

The Corporation's vision is to transform and support modal shift to faster passenger rail services in the Toronto to Québec City corridor (Corridor) by providing Canadians a more frequent, more reliable, faster, and greener transportation option.

Mission

To advance for the benefit of all Canadians a high frequency passenger rail service between Québec City and Toronto that is socially, economically, environmentally, and financially sustainable, in collaboration with the private sector.

HFR Project

Initially proposed by VIA Rail in 2016, the original High Frequency Rail (HFR) project was put forward to improve passenger rail service in the Corridor by operating VIA trains on predominantly dedicated tracks in order to improve on-time performance.

After significant analysis by the Government, and subsequently by a small dedicated Joint Project Office, the Government explored a number of different procurement approaches for the HFR project and ultimately chose a progressive P3 model with an integrated delivery model. This approach is expected to lead to a lower cost to taxpayers, a better allocation of project risks to the best entity capable of managing the risks and ultimately lead to better project results and results for Canadians.

The project will transform passenger rail service in Canada by constructing an approximately 1,000 km intercity passenger rail network, run on predominantly dedicated electrified tracks at higher frequencies, higher speeds and with improved reliability between Québec City and Toronto, making it faster and easier for people in Canada's most populated areas to travel for work or leisure. The operations of new HFR services and local services will be treated as an integrated network system along the entire Corridor with operations of local services to be maintained and optimized to enable better connections with HFR.

Supporting Broader Government Priorities

The Corporation's project aligns with the following Government priorities to help create a more connected, sustainable, and economically vibrant Canada. This investment is consistent with broader Government initiatives to invest in modern, efficient, and sustainable transportation infrastructure across the country and will support the following:

- **Environmental Sustainability:** by fostering modal shift to a cleaner and greener transportation option the project will support the Government's environmental goals of reducing greenhouse gas emissions;
- **Economic Growth and Job Creation:** by stimulating economic growth from the creation of employment opportunities, directly and indirectly, during the construction phase and subsequently through ongoing operations and maintenance; improving the efficiency of the transportation in the Corridor will also enhance the movement of goods and people;
- **Improved Connectivity:** by making intercity travel more accessible, improving connectivity between major urban centres in one of the most densely populated and economically active regions in Canada;
- **Advancing Reconciliation with Indigenous peoples:** by supporting ongoing engagement to foster meaningful, two-way dialogue and maximizing project opportunities for Indigenous peoples;

- Innovation and Technology: by implementing a progressive and competitive procurement model to encourage creativity and innovative design concepts during the Procurement phase; and
- Safety and Accessibility: by making transportation safer and more accessible within the Corridor, by incorporating accessible features that exceed minimum code or design standards; and by accommodating use of service by everyone however they may encounter it.

Public Benefits

The proposed investment in the project is underpinned by the potential for significant economic, environmental, and social returns, aligning with broader governmental goals and policies aimed at creating a more inclusive, sustainable and economically robust future.

Investing in infrastructure like the HFR project demonstrates a long-term commitment by the Government toward sustainable urban and rural planning and transportation. It presents a strategic vision for future mobility needs and urban/suburban development, preparing for population growth and technological advancements. Enhancing connectivity between key urban and rural areas will facilitate balance in regional economic development opportunities and more equitable economic prosperity across the region.

Improved rail services can offer significant social benefits and improve the quality of life by reducing travel times and costs for regular commuters. Providing faster, more reliable, and more frequent train services will attract more passengers to rail transport, reducing road congestion and potentially decreasing the demand for other travel modes for short haul commutes for business or leisure. A more appealing transportation option can also boost domestic and international tourism to destinations within the Corridor, which further supports local economies and promotes cultural exchange.

Objectives, Activities, and Expected Results for 2024-25

Objective 1: Drive The Design Development of a Passenger Rail Service in the Corridor

Activities:

- Advance the project by supporting the Government-led competitive Procurement phase, help negotiate its commercial and technical terms and advance all preparatory work that will support and accelerate the design phase of the project.
- In 2024-25, VIA HFR will focus on the important transition period from the Procurement phase to the Co-development phase and enter Co-development, subject to Government decisions and the Pre-Development Agreement (PDA) being executed between the Corporation and the private developer partner (PDP).

Expected results:

- Completion of the Procurement process
- Selection of a private developer partner
- Selection of a preferred project solution from Procurement process
- Preparation of Co-development phase
- Advance the impact assessment process
- Build capacity and further develop a preliminary land acquisition strategy
- Advance Rail Systems and Infrastructure Planning and Engineering

Status:

- On track

Objective 2: Foster Indigenous Partnerships, Engage Stakeholders, and Other Partners Effectively

Activities:

- Continue to foster partnerships through relationship building with Indigenous communities, entities, and organizations and engage stakeholders and other partners effectively in order to ensure, enhance and broaden public support for the project. The project needs to be known, required and desired.

Expected results:

- Advance Indigenous reconciliation, participation and collaboration
- Support relations with the Government of Canada and federal partners
- Work with provinces, municipalities, and interest groups
- Strengthen public awareness of the project

Status:

- On track

Objective 3: Strengthen The Corporation

Activities:

- Demonstrate financial sustainability and responsibility for prudent resource management while delivering on the Government mandate.

Expected results:

- Continue strengthening of corporate governance and stewardship of resources
- Strengthen corporate services such as finance, human resources, information management (IM) and information technology (IT), facilities management and corporate infrastructure in order to support the expansion of the organization so that it can effectively advance the HFR project
- Recruit and retain talent and foster a culture of engagement and collaboration
- Establish a safe and healthy workplace
- Build and position the Legal function to support ongoing procurement process and the Corporation in all its activities

Status:

- On track

Risk Management

Risk management is an ongoing process that identifies and assesses risks and manages those with mitigation measures. To identify and assess existing and emerging risks and develop appropriate mitigation measures, the Corporation has developed an enterprise risk management framework to reflect an enterprise-wide approach toward risk management, which is currently under review as the Corporation matures and its risk environment changes. A new enterprise risk management approach will be established by 2025-26 to support VIA HFR during the Co-development phase of the project.

This framework is intended to provide for effective risk management and controls that will be implemented across the organization, to ensure risks are managed effectively and in compliance with governance and legislative requirements. It will identify and monitor all corporate and project-related risks such as those related, but not limited to human and financial resources, project schedules, regulatory processes, and project delivery.

Risk development has and will continue to be a collaborative effort, led by the Corporation, with the Government. Some of the HFR project's risks will be borne by the Government, some jointly by the Government and VIA HFR, some primarily by the Corporation and some by the PDP. During the Procurement phase, the five main risks for the Corporation and the project include:

Funding Uncertainty: If funding certainty is not available, then the Corporation's ability to deliver on its mandate and strategic objectives will be significantly compromised. If funding is not provided for new Co-development activities, there will be limited ability to plan, grow, and advance the project. Industry and private sector confidence in the project may also be impacted.

Social License, Public Perception and Stakeholder Support: If public perception and awareness of the project's benefits is low and/or inconsistent with the actual project intent, then support for the project may be diminished. Support from municipal and provincial stakeholders, including elected officials, is also critical to secure the social license required to continue with the project.

Lack of Indigenous Engagement and Participation: If Indigenous engagement and participation are lacking, it will be a missed opportunity to improve the well-being of Indigenous peoples, to develop mutual socio-economic benefits, and to contribute toward reconciliation, and may jeopardize efforts and consultations with the aim of seeking free, prior and informed consent. The Corporation will also coordinate with other federal authorities to ensure the Crown's duty to consult is appropriately fulfilled.

Legislative and regulatory approval processes are not appropriately designed, planned and executed: If legislative and regulatory approval processes are not appropriately designed, planned and executed, then commercial viability may be reduced, and project timelines extended.

Bidder Engagement: If funding and approvals are uncertain, interest among bidders may wane, leading to one or more withdrawing from participation. Reduced participation would be a loss in competitive tension that is helping drive creativity and innovation in the design of the project. This risk was significantly lowered when, on July 24, 2024, all three qualified consortia submitted a bid in response to the request for proposals launched in October 2023.

Analysis of Financial Results

This document presents information about the first quarter of operations for the period from April 1, 2024 to June 30, 2024. Over the reporting period, the Corporation continued to advance its mandate by strengthening the Corporation, working with partners and supporting the Government of Canada in the Request for Proposal (RFP) for the HFR project. The RFP closed on July 24, 2024.

Since the end of the previous fiscal year on March 31, 2024, the Corporation has grown to over 100 dedicated resources, with an additional 10 hires with start dates in July 2024. Increasing internal capacity continues to be critical to ensure the Corporation's success as project lead in the Co-development phase and to be an overall effective counterparty to the Private Developer Partner.

The Corporation continues to build internal infrastructure to enable organizational capabilities and has launched a Request for Proposal for the procurement and implementation of an Enterprise Resource Planning system. It also entered into leases for permanent premises in Toronto, ON, Quebec City, QC and Montreal, QC (where its headquarter is located).

On April 16, 2024, the Federal Budget 2024 announced an additional \$371.8M of funding towards the project, with the majority allocated to the Corporation over a six-year period. This meant that the Corporation's 2024-25 starting budget of \$45.3M was increased by \$75.7M. The additional funding received parliamentary approval on June 20, 2024. Federal funding is the Corporation's only source of revenue.

The operating deficit (\$10.34M) for the period was partially funded by the Corporation's operating surplus from the previous year (\$7.44M) and was offset by unbilled amounts from suppliers. These funds will be recovered by a second quarter payment of Federal funds.

Over the reporting period, quarter-over-quarter expenditure categories remained stable with an increase in compensation and benefits as the Corporation continues to build internal capacity. With the funding certainty provided by Budget 2024, the expenditure levels are expected to increase over the coming quarters to support the accomplishment of objectives and delivery of the Corporation's mandate.

Financial Statements

Statement of Management Responsibility FOR THE THREE MONTHS ENDED JUNE 30, 2024

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 are 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.

(signed)
Martin Imbleau
Chief Executive Officer

Montréal, Canada

August 29, 2024

(signed)
Tom Roberts
Chief Financial Officer

VIA HFR – VIA TGF Inc.
Statement of Financial Position
As at June 30, 2024

In thousands of Canadian dollars

	JUNE 30, 2024	MARCH 31, 2024
FINANCIAL ASSETS		
Cash	\$1,331	\$3,060
Government funding receivable	-	8,396
Investment – Note 3	4,555	4,503
Taxes receivable – Note 4	2,579	2,334
TOTAL FINANCIAL ASSETS	\$8,465	\$18,293
LIABILITIES		
Accounts payable and accrued liabilities – Note 6	\$12,105	\$11,471
TOTAL LIABILITIES	\$12,105	\$11,471
NET FINANCIAL (DEBT) ASSETS	\$(3,640)	\$6,822
NON-FINANCIAL ASSETS		
Tangible capital assets – Note 5	\$45	\$48
Prepaid expenses	694	565
TOTAL NON-FINANCIAL ASSETS	\$739	\$613
ACCUMULATED (DEFICIT) SURPLUS	\$(2,901)	\$7,435
Accumulated (deficit) surplus is comprised of: Accumulated operating (deficit) surplus	\$(2,901)	\$7,435

Commitments – Note 7

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

VIA HFR – VIA TGF Inc.

Statement of Operations For the three months ended June 30, 2024

In thousands of Canadian dollars

	ANNUAL BUDGET 2024-25	FOR THE THREE MONTHS ENDED JUNE 30, 2024	FOR THE THREE MONTHS ENDED JUNE 30, 2023
REVENUES			
Government funding	\$120,954	\$7,459	\$2,225
Interest revenue	-	125	-
TOTAL REVENUES AND GOVERNMENT FUNDING	\$120,954	\$7,584	\$2,225
EXPENSES – NOTE 8	\$118,021	\$17,920	\$484
TOTAL EXPENSES	\$118,021	\$17,920	\$484
OPERATING (DEFICIT) SURPLUS	\$2,933	\$(10,336)	\$1,741
ACCUMULATED SURPLUS AT BEGINNING OF PERIOD	\$7,435	\$7,435	-
ACCUMULATED OPERATING (DEFICIT) SURPLUS AT END OF PERIOD	\$10,368	\$(2,901)	\$1,741

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

VIA HFR – VIA TGF Inc.

Statement of Change in Net Financial Assets For the three months ended June 30, 2024

In thousands of Canadian dollars

	FOR THE THREE MONTHS ENDED JUNE 30, 2024	FOR THE THREE MONTHS ENDED JUNE 30, 2023
OPERATING (DEFICIT) SURPLUS	\$(10,336)	\$1,741
Acquisition of Tangible capital assets – Note 5	-	-
Amortization of Tangible capital assets	3	-
	\$10,333	\$1,741
Changes in Prepaid expenses	129	-
CHANGE IN NET FINANCIAL (DEBT) ASSETS	\$(10,462)	\$1,741
NET FINANCIAL ASSETS AT BEGINNING OF PERIOD	6,822	-
NET FINANCIAL (DEBT) ASSETS AT END OF PERIOD	\$(3,640)	\$1,741

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

VIA HFR – VIA TGF Inc.

Statement of Cash Flow For the three months ended June 30, 2024

In thousands of Canadian dollars

	FOR THE THREE MONTHS ENDED JUNE 30, 2024	FOR THE THREE MONTHS ENDED JUNE 30, 2023
OPERATING ACTIVITIES		
Operating (deficit) surplus	\$(10,336)	\$1,741
Changes in non-cash items		
Amortization of Tangible capital assets – Note 5	3	-
Accrued interest on Investment – Note 3	(52)	-
Changes in non-cash working capital items		
Change in Accounts payable and accrued liabilities – Note 6	\$634	\$484
Change in Government funding receivable	8,396	-
Change in Taxes receivable – Note 4	(245)	-
Change in Prepaid expenses	(129)	-
CASH PROVIDED BY OPERATING ACTIVITIES	\$(1,729)	\$2,225
CAPITAL INVESTING ACTIVITIES		
Acquisition of Tangible capital assets – Note 5	-	-
CASH USED BY CAPITAL INVESTING ACTIVITIES		-
INVESTING ACTIVITIES		
Acquisition of Investment – Note 3	-	-
CASH USED BY INVESTING ACTIVITIES	-	-
CHANGE IN CASH	\$(1,729)	\$2,225
CASH, BEGINNING OF PERIOD	3,060	-
CASH, END OF PERIOD	\$1,331	\$2,225

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

Notes to the Financial Statements

For the three months ended June 30, 2024

In thousands of Canadian dollars

1. AUTHORITY, MANDATE AND ACTIVITIES

VIA HFR - VIA TGF Inc. (the Corporation) was incorporated on November 29, 2022, under the provisions of the *Canada Business Corporations Act*. The Corporation reports to Parliament directly through the Minister of Transport. The Corporation's 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. The mandate comes from Order in Council P.C. 2022-0259 and may only be amended with the approval of the Governor in Council (Order in Council P.C. 2022-0261).

The Corporation is a wholly owned subsidiary of VIA Rail Canada Inc., from which it operates at arm's length. The Corporation must comply with all provisions of Part X of the *Financial Administration Act* that apply as if it were a parent Crown corporation – except for sections 104.1, 105, 106, 107 and 108 in accordance with Order in Council P.C. 2022-0260. The Corporation receives funding from the Government of Canada and is exempt from income taxes in Canada. The Corporation has received Treasury Board of Canada approval for its 2024-25 to 2028-29 Corporate Plan on June 20, 2024. The Corporate Plan is aligned with the direction provided by the Corporation's ultimate shareholder, the Government of Canada, and reflects its plans and priorities to be delivered under the Government-owned, Contractor-operated model.

On June 20, 2024, Bill C-69, *An Act to implement certain provisions of the budget tabled in Parliament on April 16, 2024*, received royal assent. As a result, the Corporation is an agent of His Majesty in right of Canada, with retroactive effect to November 29, 2022, the date of its incorporation. A Crown corporation that has agent status enjoys the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown and can bind the Crown by its acts.

The financial statements were approved and authorized for issuance by the Board of Directors on August 21, 2024.

2. BASIS OF FINANCIAL STATEMENTS PRESENTATION

These unaudited quarterly financial statements have been prepared by the Corporation's Management in accordance with the *Directive on Accounting Standards: GC 5200 Crown Corporations Quarterly Financial Report* established by the Treasury Board Secretariat and with the Canadian Public Sector Accounting Standards (PSAS). They must be read in conjunction with the most recent annual audited financial statements as at March 31, 2024. The significant accounting policies used in these financial statements are similar to those used in the annual financial statements as at March 31, 2024.

3. INVESTMENT

Investment is comprised of a guaranteed investment certificate that is used to collateralize a Letter of Credit for a lease agreement in the year ending March 31, 2025. The cash invested is expected to be used for operations this fiscal year.

DESCRIPTION	RATE
GUARANTEED INVESTMENT CERTIFICATE	4.65%

4. TAXES

The lowest possible Taxes receivable (50% of sales and services taxes paid) is presented for the three months ended June 30, 2024 and will be reviewed once the Corporation receives a ruling from the relevant authorities.

The Corporation is exempt from Provincial and Federal income tax.

5. TANGIBLE CAPITAL ASSETS

IN THOUSANDS OF CANADIAN DOLLARS	2024	2023
April 1	\$ 52	\$ -
Additions	-	-
TOTAL COST	\$ 52	\$ -
ACCUMULATED AMORTIZATION:		
April 1	\$ (4)	\$ -
Amortization	(3)	-
TOTAL ACCUMULATED AMORTIZATION	\$(7)	\$ -
TOTAL CARRYING AMOUNT	\$45	\$ -

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accruals are made at the end of the period to present expenses and liabilities for the period.

The accounts payable and accrued liabilities include the following:

IN THOUSANDS OF CANADIAN DOLLARS	2024	2023
Wages and benefits payable and accrued	\$2,999	-
Accounts payable and accrued liabilities – Other	9,106	484
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$12,105	\$484

7. COMMITMENTS

The Corporation has commitments due in future years under the categories of professional services and lease agreements for amounts totaling \$11,687. The minimum payments are as follows:

IN THOUSANDS OF CANADIAN DOLLARS	PROFESSIONAL FEES	RENT	TOTAL
2025	\$463	\$773	\$1,236
2026 & onwards	-	\$10,451	\$10,451
TOTAL	\$463	\$11,224	\$11,687

8. OPERATING EXPENSES/ ADDITIONAL INFORMATION BY TYPE OF EXPENSE

Expenditure Categories

IN THOUSANDS OF CANADIAN DOLLARS	2024	2023
Business Travel	\$ 73	\$ 44
Compensation and Benefits	4,076	176
Property Space Rental	279	119
Professional Services	12,882	119
Telecommunications	435	5
Other	175	21
TOTAL	\$17,920	\$484

9. SUBSEQUENT EVENT

On August 6, 2024, a lessor of the Corporation has cancelled the Letter of Credit to secure a lease for office space. This is due to the Corporation obtaining agent status on June 20, 2024, retroactive to the date of incorporation of the Corporation.