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Draft Messages

1.1 ARL History (SNC overview)

- Waiting for input.

1.2 ARL Mandate provided to Metrolinx in July 2010

The official government news release issued on July 30th 2010, set out the ARL requirements that Metrolinx inherited, these included:

- The project is to be complete for the 2015 Pan Am Games.
- "The ARL will provide a premium express rail shuttle service between Union Station and Pearson Airport."

Metrolinx are currently delivering to this mandate.

1.3 Ridership

- **Who did you hire to do the report?**

Metrolinx's ridership projections are based on independent third party expertise conducted over a number of years, including:

1. ARL from LBPIA to Union Station Revenue & Ridership Study for Transport Canada– Halcrow, May 2002
2. Blue 22 Ridership and Revenue Forecasts– Steer Davies Gleave, May 2004
3. Toronto ARL Traffic and Revenue Update – Steer Davies Gleave, Sept. 2009 (redacted copy)
4. Georgetown Corridor ARL Forecasting Update 2011/2012 – Steer Davies Gleave, March 2012 (+ Sept. 2011 draft)
5. Business Strategy and Plan and Customer Experience – April 2012 – Deloitte

6. Ipsos-Reid Discrete Choice Research – May 2012 -

All of the reports have come to the same conclusion regarding ridership ramp up projections.

- **Are they a global expert (what is their experience?)?**

Both Halcrow and Steer Davies Gleave (SDG) are leading experts in the field of transportation modeling/ridership projections. SDG is a well-respected firm that recently won the UK award for best national transport consultant in 2012. SDG has offices in 16 cities including Bogota, Bologna, Boston, Denver, Glasgow, Leeds, London, Madrid, Mexico City, Rome, San Juan, Santiago, San Paulo, Toronto and Vancouver.

- **Has SDG done similar work in other jurisdictions?**

Yes. In addition to work in other jurisdictions, SDG has been the lead consultant on the Benefits Case Analysis for Metrolinx projects. A Metrolinx Benefits Case Analysis is completed for each project identified in *The Big Move*, to evaluate the project's return on investment. The evaluations are undertaken in partnership with municipal stakeholders and their respective transit agencies. A significant component of the Benefits Case Analysis work is ridership modeling that was completed by Halcrow or SDG depending on the project. Exclusion per Committee Direction

- **What is ridership ramp up?**

As it is the case with many transportation programs, ridership and revenue forecasts are subject to extensive review. Areas of focus and scrutinty include the model used to generate the forecasts, the assumptions and data used as inputs to the model and the results of the modelling.

The inputs into our data analysis continues to be updated to reflect most recent data and to reflect a broader range of scenerarios, including .... (gas prices?).

A key lesson learned from international experience is that whenever ARL systems are implemented t takes time to reach full market potential.

- How did the ARL do its ridership ramp up? What where the specific #s.

We used the following (standard) criteria and factors. Outline the process here.

- What where the specific #s.

This is what our analysis said … and this is the assumptions that accompany that information along with impacts.

Ridership years 1 – 3 – projected at xxx, we went with zzz. The downward assumption was based upon the following critiera (a, b and c).

Ridership ramp up is a common practise in the World of Transportation Modelling and Planning and can be found in many studies done for system around the WORLD. The ridership forecasts were adjusted downwards for the first three years of operation to provide a conservative estimate. As for any new service, the ridership is not expected to be at a mature level for at least the first two to three years of operation.

In the case of the ARL mature ridership projections for 2018 were reduced by 35% to account for this initial service take-up by new passengers in 2015. Subsequently year two (2016) was discounted by 20% of mature ridership, and year three (2017) by 10%.

- **NEW** – We need to outline our assumptions above ridership – we need to determine or hylpothesize whey the AG did not agree.
- NEW – we need to provide a response to each specific issue

AG	ARL Commentary	
1.35 m – ridership for the 9 month period of Ap 2015 to Dec 2015	We agree / disagree – for following reasons – here are the factors you need to consider. This is what we think the #s will be – and end with key message about we will continue to review	
1.8 m for the first year		
Ridership will increase to nearly 3 million by year 3		
Capturing 10.3% of surface market		
Assumption that ridership will increase by more than 65% by year 3		
Capture rate		

New: Question: Will the ridership grow as projected?

- **How often will we update our ridership projections?**

It is Metrolinx's intention to regularly review ridership forecasts up to the point of operations to advise our business model.

QUESTION: Have we considered doing a Peer review of our ridership projections and business model?
QUESTION: When we do ridership analysis do we do a range – high, medium and low?

- **What are the key five steps to conduct a proper ridership study?**

TBD

Exclusion per Committee Direction

NEW – setting the fare.

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At the time of the audit a preliminary estimate had been developed for the **rail operations** element only and this was provided to the auditor. This would appear to be the basis for the $30M figure in the report. The auditor was advised at the time that this was not a complete estimate for all operating costs – refer to email below:

From: O'Neill, Michael/TOR
Sent: Friday, March 02, 2012 2:02 PM

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rise to about $50M."

It would appear from the report that the auditor is using this figure of $50M and projected ridership of 1.8M in the first year to calculate the break even figure of $28 referred to in the report.

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Here are some models/ assumptions (not for public release) currently under condition …

NEW QUESTION:

1.5 Marketing Assessment (ARL Market Assessment Study - Northstar Consultancy – Sept 2012)

- **Overview:**

Issue: the AG cites a market assessment study stating that 90% …

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Exclusion per Committee Direction rthstar research was undertaken to better understand public perceptions of the service and preferences. It was not designed as a direct input to ridership forecasts or fa Exclusion per Committee Direction the outputs of the survey in many cases are not immediately relatable to the ridership forecast. Most notably, business travel is under-represented in the Northstar weighted sample as airport-wide journey purpose proportions have been adopted (at 30% business, 70% non-business ratio was used). Using the weighted data will suppress the sensitivities of business travelers in terms of the origins of their trips and they are likel Exclusion per Committee Direction the timesaving benefits offered by the ARL more highly.

- **What were the objectives of the Northstar study?**
  - Understand the overall appeal and potential uptake of the ARL;
  - Measure key perceptions of the ARL among key target segments;
  - Assess price sensitivity for ticketing;
  - Exclusion per Committee Direction additional amenities;
  - Finally, understand current transportation methods to and from Pearson Airport and the potential impact of the ARL on this competitive set

- **What were the key research findings?**
  - Awareness and appeal of the ARL is very high, with 65% of GTHA residents and 62% of non-Ontario residents claiming they definitely or probably would take the ARL
  - Business travellers are willing to spend more on a one-way ticket than non-business travellers.

Those travelling to the GTHA for business are the least price sensitive, and are willing to pay the most for a single one-way ticket on the ARL; N Exclusion per Committee Direction

Exclusion per Committee Direction

- When asked about potential amenities, the most popular, across the board, are: onboard washrooms, free Wi-Fi, large luggage racks, onboard flight information display screens, and the ability to collect loyalty points.

- TTC would be the number one way GTHA residents would to get to their preferred ARL station.

- Nearly all respondents (over 90%) anticipate using the same access/egress points to get to the ARL

- Business travellers have flown out of Pearson an average of 5-6 times last year vs. about 2 times for non-business travellers

- **What was the study methodology?**

  - Online survey via multiple channels: consumer panels, and survey invitations were sent out via social media, handouts on the street, and partners including Oxford Properties and Toronto Board of Trade; These targeted GTHA residents

  - In-person surveys at Pearson departure gates specifically targeting non-GTHA residents

  - Pearson employees via emails and flyers

- **What were the methodology limitations?**

  - Business travelers were underrepresented: business travelers were weighted at 30% (based on Pearson air traffic) however SDG forecasts indicate a 40/60 split for Business/Leisure travelers. Business travelers are willing to pay a higher price point for a ticket and thus the lower

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  - included respondents who originated their trip from outside of the catchment areas (i.e. Mississauga, Oakville) which is inconsistent with other ARL survey methodologies

  - While the survey posed questions on price points, the primary objective was to better

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discrete choice methodology is preferred and was used to inform ridership forecasts

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Northstar study?

Ipsos-Reid Discrete Choice Research 2012:

- In May 2012, ARL conducted a Discrete Choice market research study, the purpose of which was to test the value proposition of seven key service offering attributes and the price sensitivity of potential ARL customers
- In order to inform customer experience and broader strategic decisions, Exclusion per Committee Direction Exclusion per Committee Direction tent with the official ridership forecasts
- The Discrete Choice study is one of many inputs that has informed the ARL Customer Experience Strategy
- The analysis indicates the highest potential for fare revenue maximization appears to occur between the $30 and $35 price points (single one-way Union/Pearson fare), which is consistent

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1.6 Economic, Environmental and Tourism benefits of the ARL

- **What are some key economic benefits that will occur as a result of construction of the ARL?**

  - The ARL will fill a significant transportation gap in airport-to-downtown traffic, creating a quick, direct and reliable link to the country's two busiest transportation hubs.
  - The ARL service will help boost economic growth across the region – creating jobs, easing traffic congestion, and serving as a critical enabler of economic growth for businesses in communities across the Greater Toronto and Hamilton Area (GTHA)
  - Recently Price Waterhouse Coopers (PwC) ranked Toronto third out of 27 cities, after London and New York, in terms of the best cities to live and work. However, Toronto was ranked 19th out of 27 cities on PwC's City Gateway index comparing number of hotel rooms, international tourists and business meetings **and access from the airport to the Central Business District**.
  - Passenger traffic at Toronto Pearson is expected to grow by almost 20 million passengers over the next twenty years. Each year an estimated five million cars travel between downtown Toronto and Toronto Pearson and this number is expected to grow to nine million by 2020. The ARL will allow Toronto Pearson to grow sustainable manner to accommodate the increase in traffic from downtown Toronto to Toronto Pearson.

  - Design and construction of the Air Rail Link (ARL) "spur line" and new ARL passenger station at Toronto Pearson will help strengthen the economy and support and create more than 1,200 jobs.

- **What are some key environmental benefits that will occur as a result of construction of the ARL?**

  - The ARL will take 1.2 million car trips off the road in its first year alone, thereby reducing vehicle emissions and improving air quality in our communities.
  - The ARL will launch with state-of-the-art Tier 4 diesel vehicles. Tier 4 emission standards are the strictest non-road engine emission standards possible, as established by the US Environmental Protection Agency.
  - Tier 4 technology reduces airborne particulate emissions by 90% and nitrogen oxides (NOx) by 80%. The vehicles will produce 75 per cent <u>fewer</u> nitrogen oxide emissions than current GO trains which run along this corridor. As a result, overall Metrolinx contributions (GO Transit and ARL vehicles) to emissions in the Kitchener corridor will be less in 2015 than they were in 2010.

- **What are some key tourism benefits that will occur as a result of construction of the ARL?**

- The ARL will provide a warm first welcome to the city to visitors and a welcome home to residents.
- As a visitors' important first introduction to the region, the ARL experience will serve as a powerful and lasting message that Toronto is a welcoming city that works and is open for business.
- The ARL will provide a reliable and convenient link to accessing the vast array of tourist and cultural venues that Toronto and the GTHA have to offer.
- Through the cultivation of strategic partner relationships and joint marketing efforts, the ARL will play a significant role in assisting to promote Toronto's unique tourist destination locations, as well attract more visitors to its burgeoning hotel and restaurant industry.
- By launching in time for the TO 2015 Pan / Parapan American Games, the ARL will be in the spotlight for thousands of spectators and participants, transforming the way many of these first time visitors experience our city, and serving as a much needed and long overdue legacy infrastructure project for many years to come.