



## Union Pearson Express

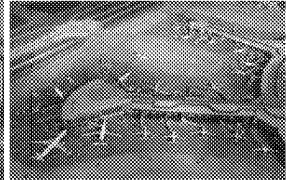
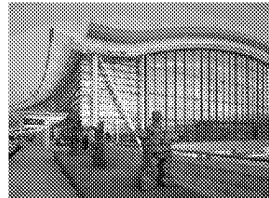
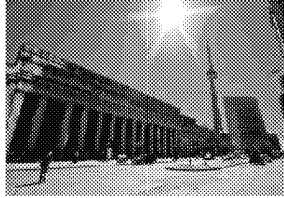
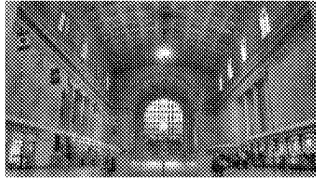
February 2013



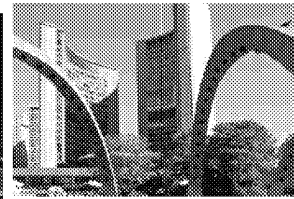
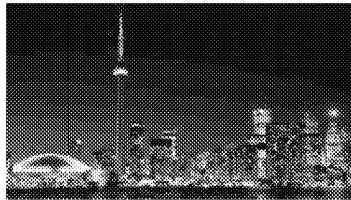
## The UP Express will Connect Canada's Two Busiest Transportation Hubs

Union Station  
Downtown Toronto (65  
million passengers today  
and expected to more than  
double by 2031)

Toronto Pearson  
(30 million passengers expected  
to grow to 50 million passengers  
by 2031)

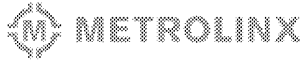


### ***Elevated Experience*** ELEVATING TORONTO



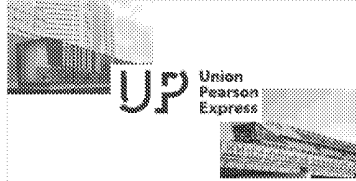
The Union Pearson Express will not only provide fast, reliable elevated service to its guests, but also raise Toronto and Ontario's profile.

#### Metrolinx Expertise



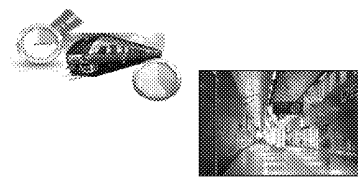
*The Air Rail Link (ARL) will be delivered and operated leveraging Metrolinx, GO and PRESTO expertise and capabilities in building and running air-rail services*

#### Linking Union and Pearson



*The Union Pearson Express will link the two busiest passenger transportation hubs in Canada – Union Station and Pearson Airport (with stops at Bloor/Dundas and Weston)*

#### Express & Elevated Service



*We will provide fast, reliable service departing every 15 minutes, elevating riders with differentiated service for the 25 minute trip between Union and Pearson*

#### Tourism Promotion



*We will launch in time for TO 2015 Pan / Parapan American Games and transform the way visitors experience our city when they first get here*

#### Economic Development



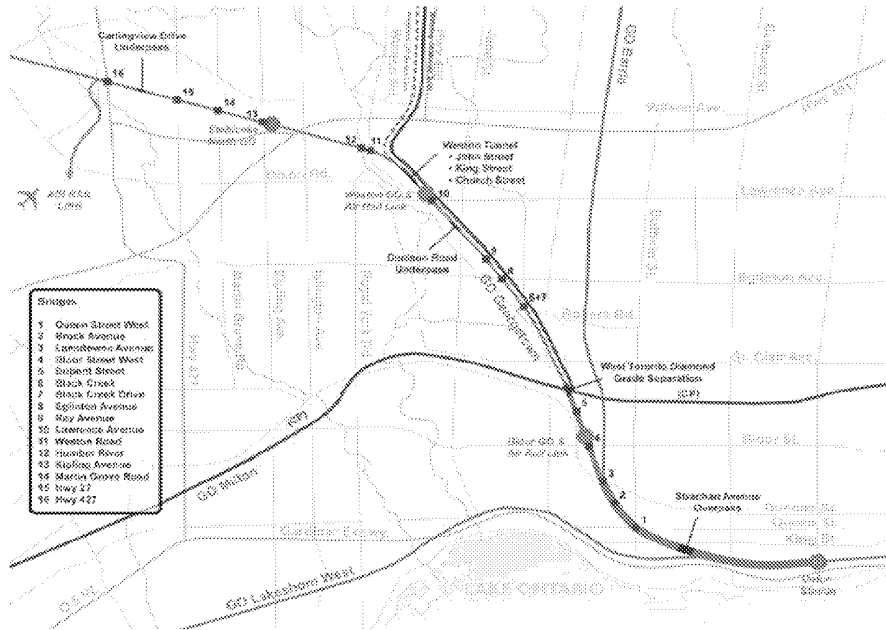
*We will contribute to economic growth in the GTHA by providing a direct connection between the financial district of Toronto and the rest of the world*

#### Eminence Building



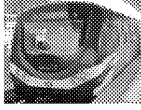
*We will showcase Ontario's progress, prosperity and Toronto's role on the global stage*

### Union Pearson Express Route



## Dedicated Air Rail Links differentiate themselves from other rail services

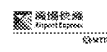
There are ~224 air-rail links to 175 airports around the world; Leading global ARLs<sup>2</sup> were used as benchmarks to inform the UP Express Customer Experience Strategy

| Leading Air Rail Links                                                            |                                                                                                                                                                                                                 | Other Commuter and Metro Trains                                                   |                                                                                                                                                                                                         |
|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | Leading ARLs are characterized by fast, convenient, comfortable service, often providing valued amenities, services and focus on the end-to-end customer experience                                             |  | Other trains that provide services between city centres and airports tend to be slower, with more frequent stops, and fewer amenities                                                                   |
| <b>Fast</b>                                                                       | <ul style="list-style-type: none"> <li>Tend to be high speed trains that move at a faster speed than most commuter trains</li> </ul>                                                                            | <b>Affordable</b>                                                                 | <ul style="list-style-type: none"> <li>Usually cheaper than differentiated ARLs</li> <li>Often associated with / part of a city's public transit system</li> </ul>                                      |
| <b>Convenient</b>                                                                 | <ul style="list-style-type: none"> <li>Direct and reliable service to and from airport terminals to downtown city centre locations</li> <li>Minimal stops</li> </ul>                                            | <b>Slower</b>                                                                     | <ul style="list-style-type: none"> <li>Slower train speed and more frequent stops</li> <li>Often requires riders to switch train lines, or transportation modes (e.g., bus, airport shuttle)</li> </ul> |
| <b>Comfortable</b>                                                                | <ul style="list-style-type: none"> <li>Heightened levels of comfort for travellers (e.g., more spacious, comfortable seating, luggage storage on trains)</li> </ul>                                             | <b>Less Comfortable</b>                                                           | <ul style="list-style-type: none"> <li>Crowded (e.g., standing room)</li> <li>Usually no designated areas to stow luggage</li> </ul>                                                                    |
| <b>Amenities</b>                                                                  | <ul style="list-style-type: none"> <li>Wide array of amenities available (e.g., Wi-Fi, television screens display weather and news, Flight Information Displays, onboard washrooms, check-in kiosks)</li> </ul> | <b>Lack of Amenities</b>                                                          | <ul style="list-style-type: none"> <li>Few to no amenities onboard</li> <li>Primarily in the service of transporting people from station to station</li> </ul>                                          |

 Heathrow Express – London  
Best Rail Operator - 2011 Business Travel Awards



KLIA Ekspres Train – Kuala Lumpur  
Winner of Best Customer Service- Global AirRail Award



MTR – Hong Kong  
Finalist in Best AirRail Link & Winner of partnership of the year - Global AirRail Award



Gautrain – Johannesburg  
2010 winner of best New Service Initiative - Global AirRail Award



Arlanda Express – Stockholm  
Winner Train design of the year 2011- Global AirRail Award



Narita Express – Tokyo  
Best Japanese Train of the Year 2010



Rhônexpress – Lyon  
Finalist in New Service of the Year 2011- Global AirRail Award



City Airport Train – Vienna  
Best on line ticket and city baggage check-in



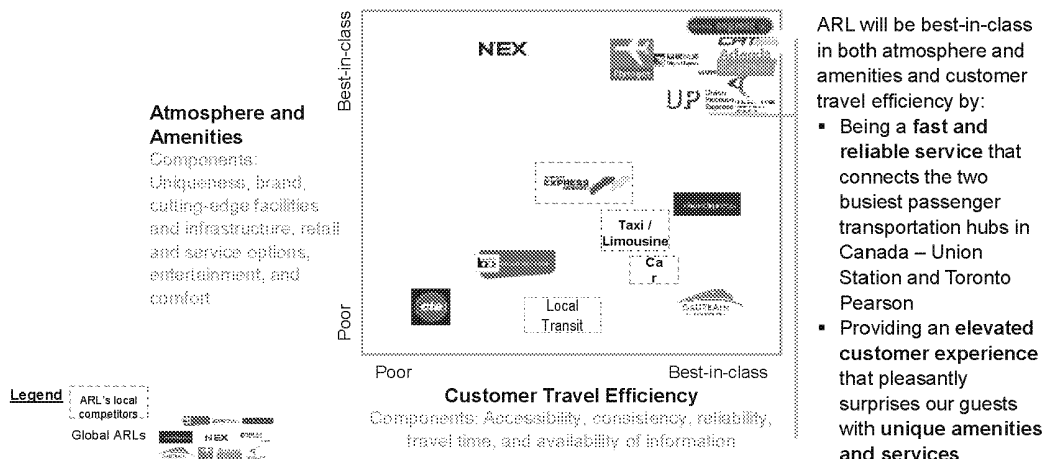
Flytoget – Oslo  
2012 Winner for Environmental Commitment- Global AirRail Award

Notes: <sup>1</sup>Some airports have rail links from more than one city or region via different service providers; <sup>2</sup>Per the IARO, as at April 2012, only 19 of the 224 air rail links are considered leading global ARLs that have a dedicated link from airport to city centre

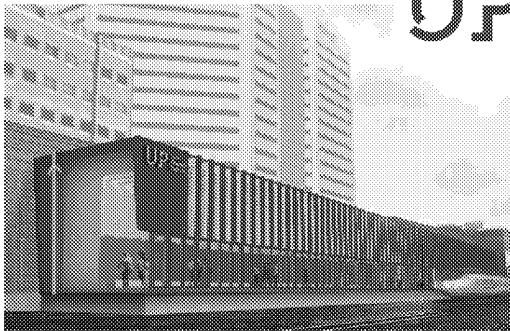
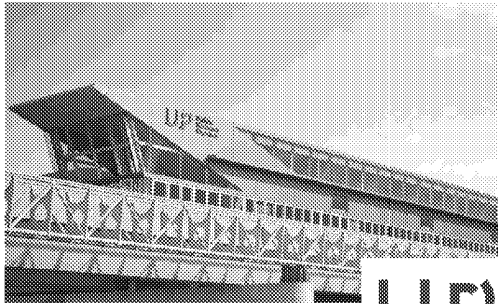
Our vision, mission, and strategic positioning will elevate UP Express as a world leader in the air rail link category

|                |                                                                                                                                 |
|----------------|---------------------------------------------------------------------------------------------------------------------------------|
| <b>Vision</b>  | We will be an undeniable symbol of Ontario's progress and prosperity, and of Toronto's role on the world stage                  |
| <b>Mission</b> | To transform the way people travel to and from downtown Toronto to Toronto Pearson and elevate the way they experience our city |

## ARL's Strategic Positioning



## Welcome to the Union Pearson Express

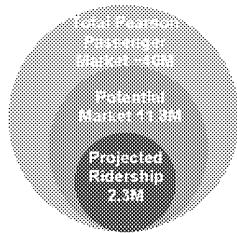


**UP** Union  
Pearson  
Express

# **Commercially Sensitive Information**

## Potential Market and Ridership

### Market Size

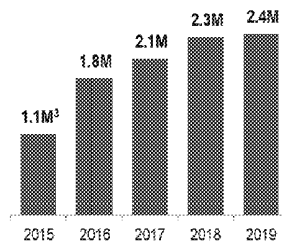


Total Toronto Pearson air passenger market

In-scope market based on identified catchment areas

At base prices<sup>1,2</sup>, the Union Pearson Express is expected to capture 2.3M riders in 2018

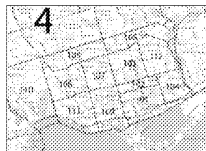
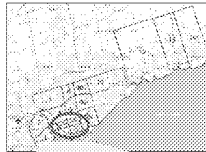
Note: 2018 SDG Market Size



*Ridership studies confirmed a strong demand for an express rail service*

### Background & Methodology

- Steer Davies Gleave (SDG) study refreshed in 2011 was used to project ridership and revenue for the Union Pearson Express
  - SDG study showed a meaningful demand for the service under the current business model, consistent with ridership studies to date (e.g. Halcrow, Transport Canada, KPMG, 2004 SDG)



### Assumptions

- Conservative assumptions were used to address ridership forecasts
  - Only air travellers included in the ridership forecast
  - 65% - 95% ramp-up assumed for the first three years of operation
  - Elements of differentiated services not included in customer surveys

<sup>1</sup> Source: Ridership and Revenue Forecast, Steer Davies Gleave, 2011

### Exclusion per Committee Direction

# **Exclusion per Committee Direction**

# Ridership forecasts have been largely consistent over the years

| Forecasts                                 |                                   | Ridership<br>(Opening Year)    | Opening<br>Year<br>Airport<br>Traffic <sup>2</sup> | Opening<br>Year<br>Market<br>Share | Ridership<br>(Maturity)      | Maturity<br>Year<br>Airport<br>Traffic <sup>2</sup> | Maturity<br>Year<br>Market<br>Share |
|-------------------------------------------|-----------------------------------|--------------------------------|----------------------------------------------------|------------------------------------|------------------------------|-----------------------------------------------------|-------------------------------------|
| 2002 Halcrow<br>(Transport Canada)        |                                   | 1.57M (2005)                   | 24.6M                                              | 6.3%                               | 3.15M (2010)                 | 33.6M                                               | 10.6%                               |
| 2004 SDG <sup>1</sup><br>(Private Sector) | Exclusion per Committee Direction | 2.21M (2008)                   | 25.2M                                              | 8.8%                               | 2.73M (2013)<br>3.13M (2018) | 31.0M                                               | 8.8%                                |
| 2009 SDG <sup>1</sup><br>(Private Sector) |                                   | 1.49M (2015)                   | 29.5M                                              | 5.1%                               | 2.63M (2020)<br>2.56M (2018) | 33.5M                                               | 7.9%                                |
| 2011 SDG <sup>1</sup><br>(Metrolinx)      |                                   | 1.35M (2015)<br><i>Apr-Dec</i> | 20.1M<br><i>Apr-Dec</i>                            | 6.7%                               | 3.08M (2020)<br>2.97M (2018) | 29.9M                                               | 10.3%                               |

- Repeated attitudinal surveys and global best practices have shown consistent price point and service level preferences
- The 2011 SDG study showed a meaningful demand for the service under the current business model, consistent with ridership studies to date (e.g. Halcrow, previous SDG)
- Conservative assumptions were used to address ridership forecasts:
  - Only air travellers included in the ridership forecast
  - 65% - 95% ramp-up assumed for the first three years of operation
  - Elements of differentiated services not included in customer surveys

1. Short-Opening Scenario

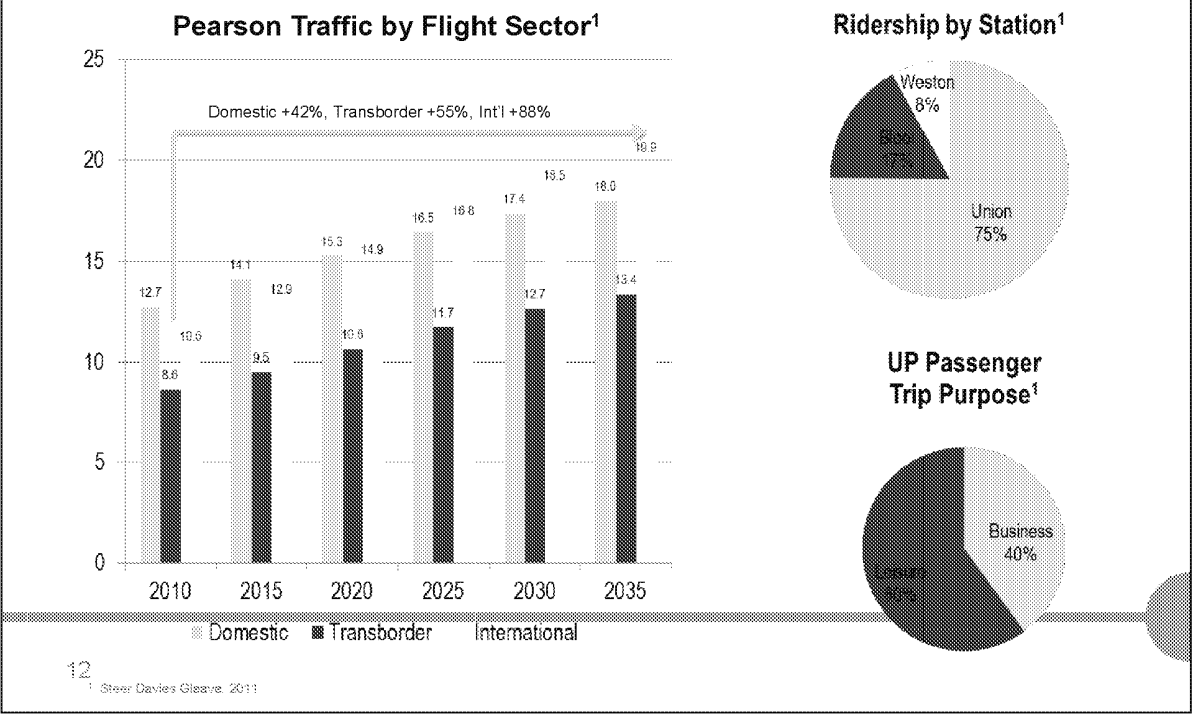
2. Exclusion per Committee Direction

3. Exclude connecting passengers

Exclusion per Committee Direction

Exclusion per Committee Direction

# Pearson international passenger traffic will increase by 88% in 25 years



# Exclusion per Committee Direction

| Benchmarks                                                                                            |                            |                       |
|-------------------------------------------------------------------------------------------------------|----------------------------|-----------------------|
| Local Competitive Modes                                                                               | Trip Duration / Frequency  | 2012 Price            |
|  Airport Limo        | 30-60 mins / on demand     | ~\$62 + tip           |
|  Taxi                | 30-60 mins / on demand     | ~\$55 + tip           |
|  Airport Express Bus | 40-60 mins / every 30 mins | \$26.95*              |
| Dedicated ARLs                                                                                        | Location                   | 2012 One-way Fare CAD |
|  NEX Narita Express  | Tokyo, Japan               | \$38-\$58**           |
|  Heathrow Express    | London, U.K.               | \$28-\$44**           |
|  Flytoget            | Oslo, Norway               | \$29-\$43***          |
|  Arlanda Express     | Stockholm, Sweden          | \$39                  |
| Exclusion per Committee Direction                                                                     |                            |                       |

| Price Sensitivity                 |
|-----------------------------------|
| Exclusion per Committee Direction |

Exclusion per Committee Direction

# Opportunities Exist to Leverage New Markets and Increase Demand

## Exclusion per Committee Direction

### Potential Partners



#### Strategic Partnerships

- Government
- Airlines
- Hotels
- Tourism
- Financial
- Entertainment
- Conferences
- Telecommunications
- Retail



Regional / Local Transit  
(GO, TTC)



Taxi Transfer  
(Pick-up services)



Corporate  
(Volume based B2B)

We are exploring additional opportunities to extend market share through:

- Identifying potential **partnerships**;

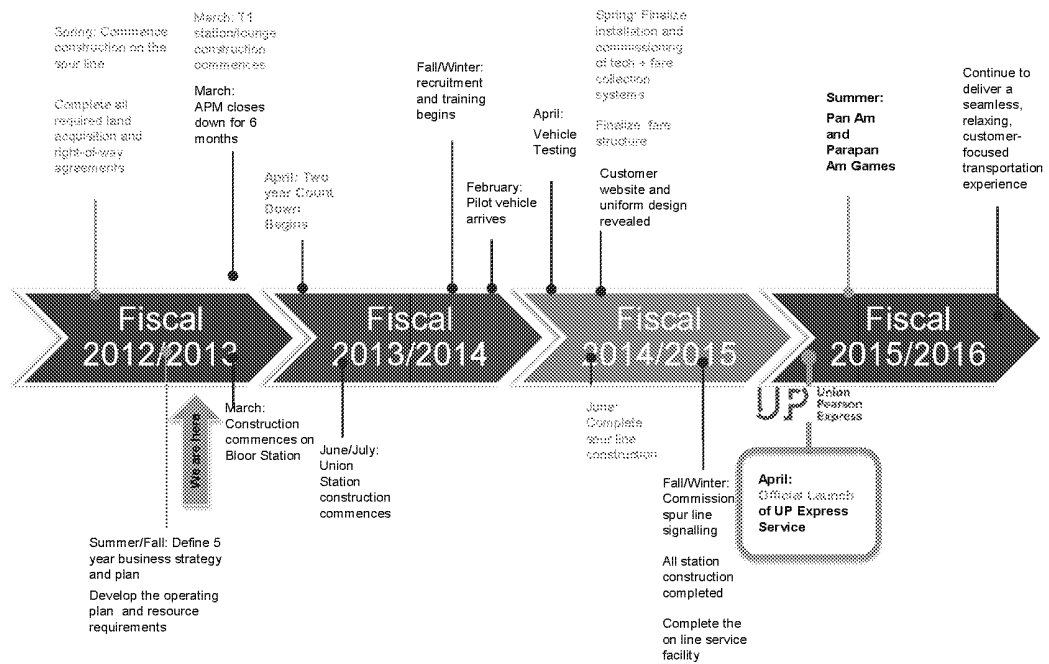
### Exclusion per Committee Direction

- Offering Regional/Local Transit transfer **packages**.

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### Exclusion per Committee Direction

## Milestones and Timelines – 2 Year Countdown



## Issues & Mitigation Strategies

Deliver the service and required infrastructure on time and budget for the Pan/Parapan American games in 2015. This will be influenced by the ability to:

- Create and operate a complex start up organization;
- Attract, develop and retain adequate resources and expertise;
- Institute effective Program Management discipline; and
- Finalize and execute agreements with required third-parties to procure vehicles, build infrastructure, acquire lands, secure right of way agreements, and deliver operations services.
- Proactively manage procurement and legal activities for portfolio of project

# Audit Working Papers

Kitchener Corridor Community Concerns relative to project and construction taking place along the corridor such as air quality and electrification:

- The Union Pearson Express will use state-of-the-art Tier 4 diesel vehicles. Tier 4 emission standards are the strictest bib-road engine emission standards possible as established by the US Environmental Protection Agency
- Overall emissions along the Kitchener corridor will be less in 2015 than they were in 2010. Tier 4 Diesel vehicles will produce 75% fewer nitrogen than the current GO trains that run along this corridor.
- The Union Pearson Express will take 1.2 million car trips off the road in it's first year alone, reducing congestion and harmful emissions in our communities

## Issues & Mitigation Strategies

**Solicitor Client / Litigation / Settlement / Common Interest Privilege**

## Contacts

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