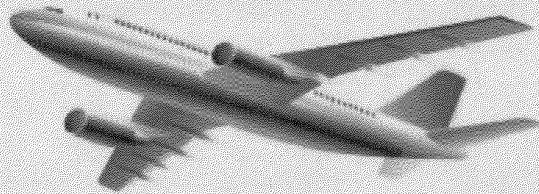




METROLINX

An agency of the Government of Ontario
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In camera

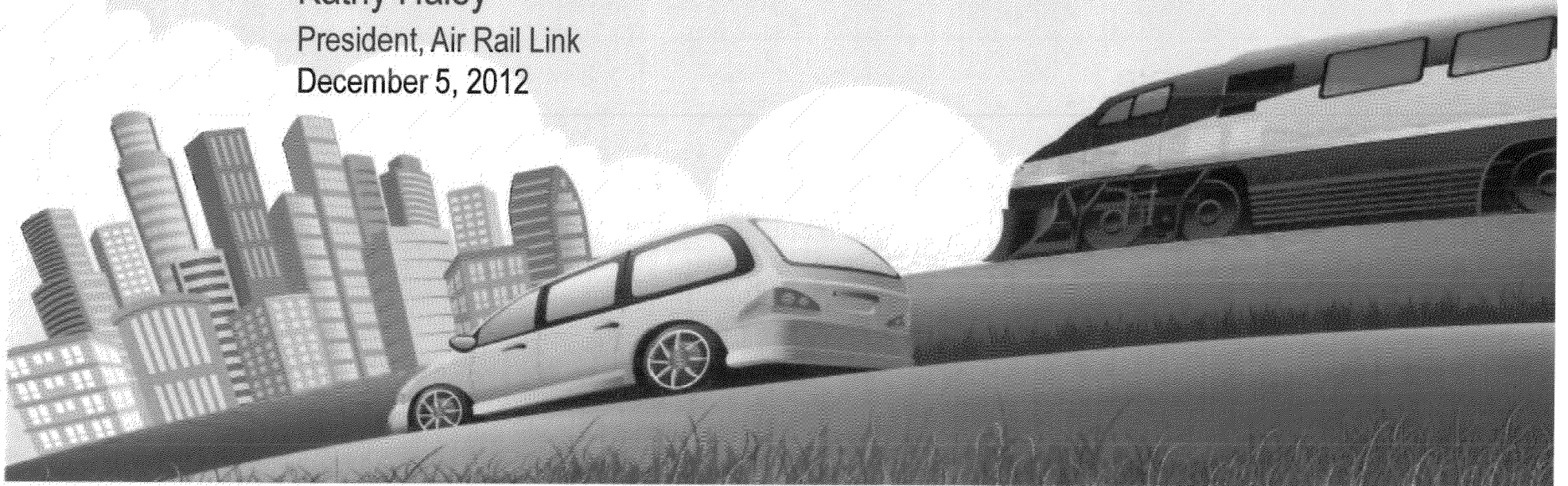


Air Rail Link Business Model Update

Kathy Haley

President, Air Rail Link

December 5, 2012



December 2012



METROLINX

Air Rail Link - Program Overview

Metrolinx Expertise



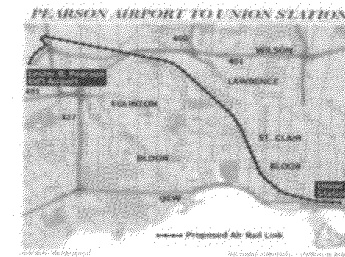
The Air Rail Link (ARL) will be delivered and operated leveraging Metrolinx, GO and PRESTO expertise and capabilities

Pan Am Games



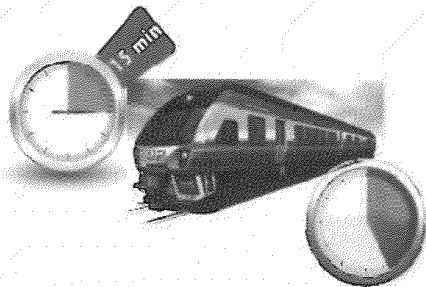
We will launch in time for the TO 2015 Pan / Parapan American Games and transform the way visitors experience our city

Express Service



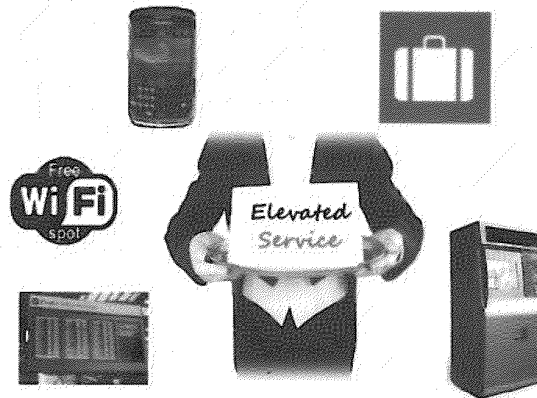
The ARL will link the two busiest passenger transportation hubs in Canada – Union Station and Pearson Airport (with stops at Bloor/Dundas and Weston)

Trains Leave Every 15 Minutes



We will provide fast, reliable trips - 25 minutes long departing every 15 minutes

Dedicated Airport Services



Airport Specific Amenities

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

Metrolinx is mandated to build, own and operate a premium and express dedicated airport rail service

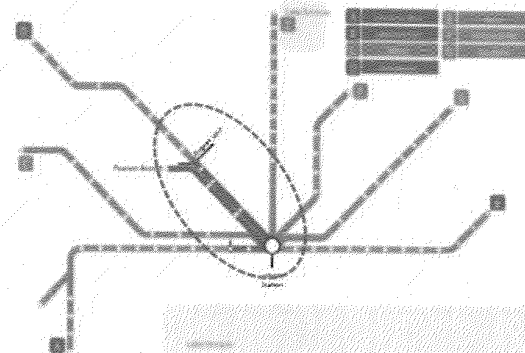
1

**Fast and
Reliable**

Express & Direct Service

*...ARL will help meet the tremendous demand for a **direct service** by connecting the busiest airport in Canada with the busiest transit and passenger rail hub in the country...*

- Official Government News Release, July 30, 2010



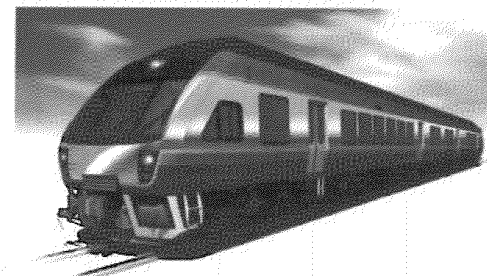
2

**Comfort
and
Quality**

Premium

*...ARL will provide a **premium express rail shuttle service** between Union Station and Pearson Airport...*

- Official Government News Release, July 30, 2010



Can we link this slide to our ARL?

Dedicated Airport Rail Links and Commuter and Subway Trains

224 rail connections to 175 airports around the world

Dedicated Airport Rail Links



ARLs are characterized by fast, reliable, convenient and differentiated services, often providing valued services beyond the typical commuter experience

Customer Travel Efficiency

- High speed trains, faster speed than commuter trains
- Direct and reliable service to and from airport terminals to downtown city centre locations
- Minimal stops

Level of Service

- Differentiated services
- Heightened level of comfort for travellers
- Additional amenities available (e.g., Wi-Fi, FIDS, onboard washrooms, city check-in, luggage storage, lounges at stations)

Additional Benefits

- Improve accessibility to airports
- Luggage storage located on the train

Commuter and Subway Trains



Trains providing services between city centres and airports tend to be slower, with more frequent stops.

- Slower train speed and more frequent stops
- Usually cheaper than differentiated ARLs
- Often requires riders to switch train lines, or transportation modes (e.g., bus, airport shuttle)

- Minimal to no additional services
- Crowded (e.g., standing room)
- Usually no designated areas to stow luggage
- Few to no amenities onboard

May want to expand on why these are relevant - Note that they are not comparators.

High Interest Dedicated Air Rail Links for In-depth Analysis



Heathrow Express – London⁴
Best Rail Operator - 2011 Business Travel Awards



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



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



KLIA Ekspres Train – Kuala Lumpur⁴
Winner of Best Customer Service- Global AirRail Award



Arlanda Express – Stockholm⁴
Winner Train design of the year 2011- Global AirRail Award



City Airport Train – Vienna⁴
Best on line ticket and city baggage check-in



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



Narita Express – Tokyo
Best Japanese Train of the Year 2010



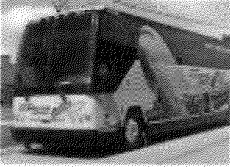
Flytoget – Oslo
2012 Winner for Environmental Commitment- Global AirRail Award

Notes: ¹Some airports have rail links from more than one city or region via different service providers; ²Per the IARO, as at April 2012, only 19 of the 224 air rail links are considered dedicated ARLs that have a dedicated link from airport to downtown; ³Per Transportation Canada overview of Rail Transportation, 2011; ⁴Express rail services with only 2 stops

Sources: International Air Rail Organization, Metrolinx, CGA, Deloitte Analysis

Remember it's a bit confusing.

Local Competition

Travel Method		Value Proposition	Trip Duration / Frequency	Price*
	Airport Limo	▪ Door-to-door service ▪ Comfortable / spacious seating ▪ Privacy ▪ Assistance with baggage	▪ ~30-60 minute trip ▪ On demand	~\$60.00 + tip
	Taxi	▪ Door-to-door service ▪ Privacy ▪ Assistance with baggage	▪ ~30-60 minute trip ▪ On demand	~\$53.00 + tip
	Shuttle Bus Airport Express	▪ Affordable alternative to taxi ▪ Comfortable seating ▪ Wi-Fi, laptop plug-ins ▪ Onboard bathroom	▪ ~40-60 minute trip ▪ 30 minute frequency	\$26.95 - \$29.95**
	TTC + GO Subway and Go Bus	▪ Affordable alternative to taxi / shuttle bus ▪ Frequent subway departure ▪ Customers can use existing passes	▪ ~25-60 minute trip ▪ ~60 minute bus frequency ▪ ~4 minute subway frequency	\$8.00
	TTC Subway and Express Bus	▪ Most affordable method to get to / from airport ▪ Frequent train and bus departure ▪ Customers can use existing passes	▪ ~75-90 minute trip ▪ ~10 minute bus frequency ▪ ~4 minute subway frequency	\$3.00

A customer's selection often depends on a multitude of factors including price, level of comfort, and trip duration. The development of Toronto's ARL must take into account these alternative transportation options.

*One way, Adult, From Union Station to Pearson Airport; Prices are as of October 2012

** Airport Express offers connect service that offer on-demand pick-up transfer from various hotels to one of the Express Bus stops for an additional charge of \$3

Strategic Positioning

non-local?
Might want to draw attention to UP
as not many people aren't familiar
with it (yet!)

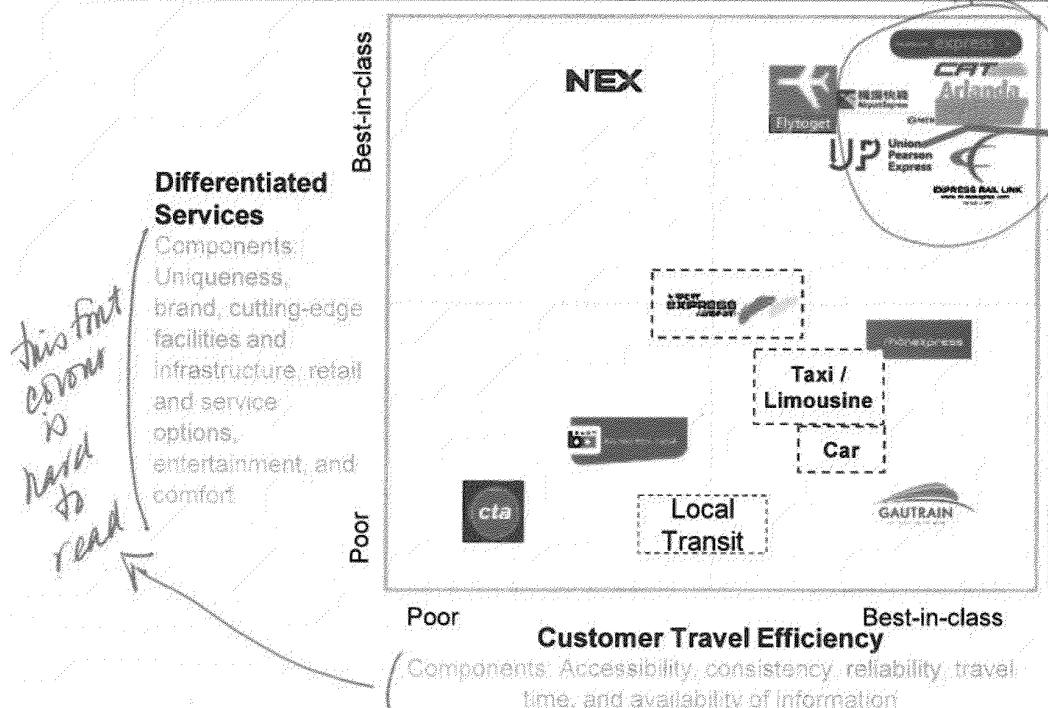
Vision

We will be an **undeniable symbol** of **Ontario's progress and prosperity**,
and of **Toronto's role on the world stage**

Mission

To **transform** the way people **travel** to and from **downtown Toronto** to **Toronto Pearson**
and **elevate** the way they **experience our city**

Union Pearson Express' Strategic Positioning



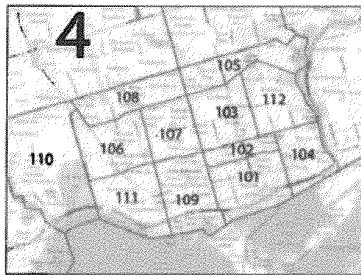
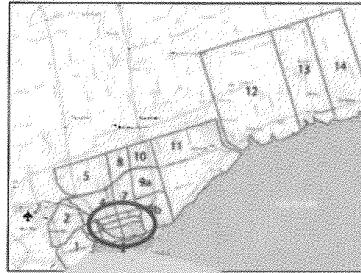
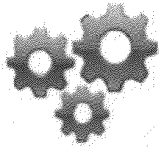
- To be an attractive and preferred option, the Union Pearson Express will need to provide an elevated experience above its competitors by:
 - Being a **fast, reliable and convenient service** that connects the two busiest passenger transportation hubs in Canada – Union Station and Toronto Pearson
 - Providing **differentiated services** that enhance customer experience
- The Union Pearson Express will be filling a **currently existing** gap that exists in the airport transportation market
- The Union Pearson Express aims to offer the customer an elevated experience in a financially sustainable manner

Exclusion per Committee Direction

Potential Market and Ridership

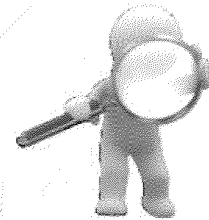
Background & Methodology

- 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 (Halcrow, Transport Canada, KPMG, 2004 SDG)

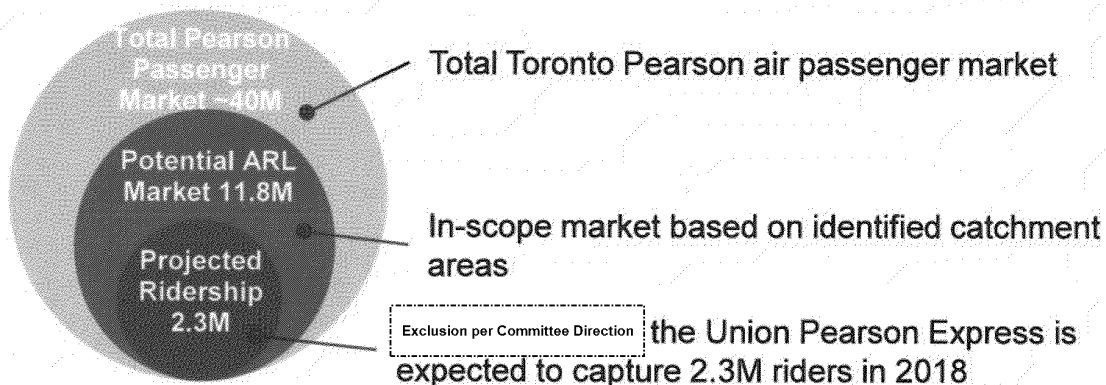


Assumptions

- 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

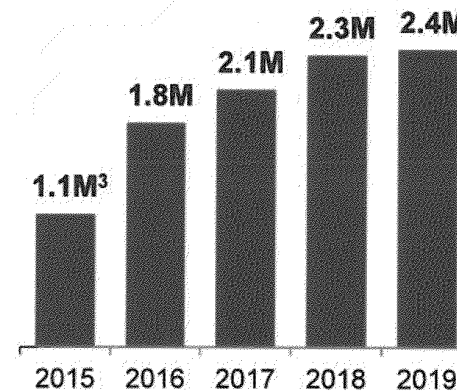


Market Size



Note: 2018 SDG Market Size

Forecasted Ridership¹



Ridership studies confirmed a strong demand for an express rail service

¹ Source: Ridership and Revenue Forecast, Steer Davies Gleave, 2011/777

Exclusion per Committee Direction ³ 2015 ridership represents the first calendar year of ARL service or the nine month period from April 2015 to December 2015

Exclusion per Committee Direction

Exclusion per Committee Direction

* As of June 2012, airport taxi fare is fixed at \$55+tip and Airport Express Bus single fare is \$26.95 (\$40.00 for return)

** Leading ARLs charge 35-50% of airport taxi fares in their cities (% of taxi fare, ARL fare in '12 CAD) - KLIA (50%, \$11.4), Arlanda (43%, \$38.7), Heathrow (35%, \$28.0), MTR (35% (\$13)

¹ \$5 incremental difference by station (Union \$30 / Bloor \$25 / Weston \$20)

Exclusion per Committee Direction

Exclusion per Committee Direction

Exclusion per Committee Direction

Opportunities Exist to Leverage New Markets and Increase Demand

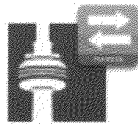
Exclusion per Committee Direction

Partners

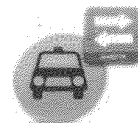


Strategic Partnerships

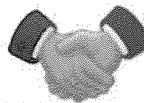
- Government
- Airline
- Hotels
- Tourism
- Financial
- Entertainment
- Conferences
- Telecommunications
- Retail



Regional / Local Transit (GO, TTC)



Taxi Transfer (Pick-up services)



Corporate (Volume based B2B)

Exclusion per Committee Direction

