

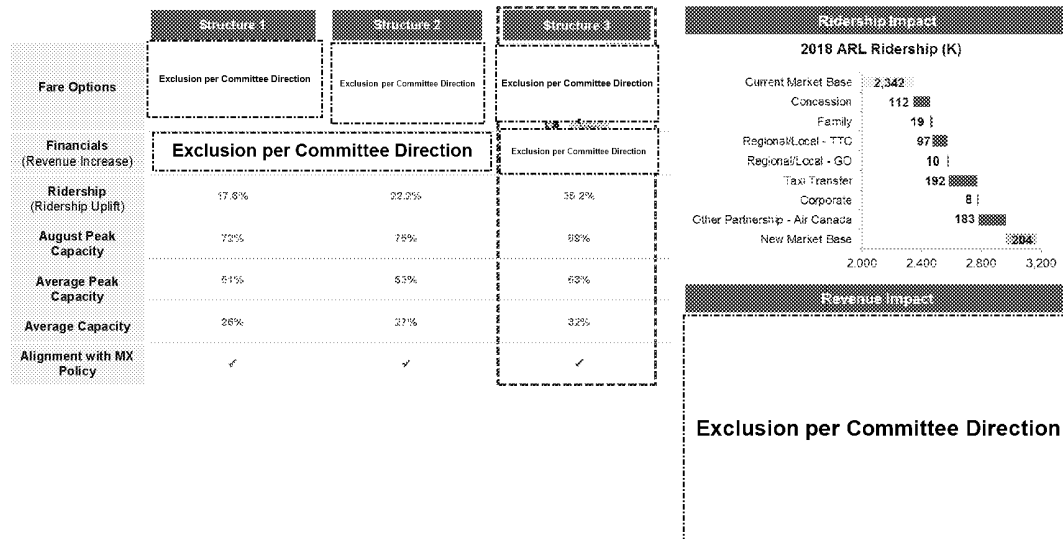
Follow-Up to Pricing Strategy
New Market Research
February 19, 2013

UP Union
Pearson
Express
A Division of METROLINX



Additional data is needed to make informed decisions

- In October 2012, recommendations on a Pricing Strategy were presented:



- In order to size potential new markets and understand price sensitivity, priorities for additional market research were identified:
 - Meeters and Greeters and Long Layover Passengers
 - Airport Employees



Research Priorities

Research		Benefits		Costs	
Airport Employees	1. Understand # of employees living in catchment areas, by job type/employer	2. Understand current access modes, by time of day/shifts 3. Understand airport parking costs, and level of subsidy by employer 4. Understand price sensitivity			\$30K (Priority #1)
	2. Understand airport parking costs, and level of day/shifts				
	3. Understand airport parking costs, and level of subsidy by employer				
	4. Understand price sensitivity				
Meeters and Greeters	1. Validate size of market (Halcrow, 2002 indicates 5-10% of total ridership forecast)	2. Understand whether UP will influence this market size 3. Understand price sensitivity			\$20K (Priority #2)
	2. Understand whether UP will influence this market size				
	3. Understand price sensitivity				
Long Layover	1. Validate size of market (GTA data suggests 2.5K/day have a 6+hour layover)	2. Understand price sensitivity as input into potential limited-time return fare			\$40K (Priority #3)
	2. Understand price sensitivity as input into potential limited-time return fare				



Research Methodologies

Research	Proposed Methodologies	Target Audience
Airport Employees	1. Online or Intercept Surveys: 2. Target: Aim for 1,500 completes	Airport Workers who live in UP Express Catchment Area
Meeters and Greeters	1. Intercept survey at departure/arrivals hall 2. Target: 1,200 completes	Accompanying drivers/passengers who live in the UP Express Catchment Area
Long Layover	1. Intercept survey within terminal at departure gates 2. Target: 600 completes	Connecting passengers with extended layovers (6 hours+)



Next Steps

Approval to proceed with:

- Airport Employee research (\$30K) to be completed in March/April 2013
- Meeters and Greeters research (\$20K) to be completed in March/April 2013
- Long Layover Passenger research (\$40K) recommended be **deferred** given relative cost and priority; undertake qualitative research with other ARL's instead
- A comprehensive data request to support Business Planning and Marketing Plan development is already underway



APPENDIX



- Over 35,000 people work at Toronto Pearson Airport, this represents a significant potential market for UP, primarily for those workers who live close to Union Station
- At present, we have very little insight about the demographics of this audience, how much they spend to commute to Toronto Pearson Airport, and how many airport workers live in the SDG 'ARL Catchment Area' (downtown Toronto)
- To address these information needs and inform an updated ridership strategy, this research piece will size this market by quantifying the proportion of Airport Workers who are willing to consider using UP, this will be achieved by:
 - Understanding how many airport workers live within the Catchment Area, what companies they work for, and what their final destination at Toronto Pearson is;
 - Understanding current mode of commuter travel for these workers, and the time of day they usually travel to work; and
 - Understanding the appeal of UP to Airport Workers living in the Catchment Area.



Recommended Approach	Key Question Areas to Understand Demand and Opportunity
a) Online Survey with minimum c.1,000 Employees • 10 minute questionnaire • Recruitment in person at Viscount Station and public transit access points, and potentially through targeted emails to employers with large numbers of employees living in the UP Catchment Area • Survey data will be weighted based on known profile of employees living in UP Catchment Area	Current travel mode and pattern Destination at the airport Who pays for employees travel Working hours / Time of Departure Is current mode subsidized or employee pays fully Current journey time from parking lot/transit station Variance and size of different shift times Interest in UP



- Traffic to and from the airport includes not only passengers and workers, but also friends, family and business associates who are dropping off, or meeting and greeting air passengers
- These are potential customers for UP, although we have very limited knowledge with which to understand the potential ridership and demand for different pricing options
- The objectives of this piece of research are to inform the ridership forecasts and pricing strategy by understanding:
 - How many travel to Toronto Pearson for these reasons?
 - What the modal split in travel is between car, public transit, and taxi/limo?
 - What proportion are travelling to or from the SDG defined catchment area?
 - How willing these potential customers are to consider UP?
 - What fare options would be most appealing for group and/or same-day travel?



- Information provided by the GTAA has informed us of the following:
 - For every 100 vehicles parking at Toronto Pearson Airport, there are 260 people.
 - Of these 260 people, **65 people will not fly that day** - these could include people who are dropping off or meeting/greeting air passengers
- We do not know how many people take other modes of transport to Toronto Pearson Airport when dropping off or meeting and greeting air passengers
- Further analysis of the Groundside Study could be helpful to assess whether it can be used for understanding more, and potentially sizing this audience



Proposed Methodology	Key Question Areas to Understand Demand and Opportunity	
600 Intercepts at arrivals area (meet and greet) +	Current travel mode	
600 Intercepts at departure hall (drop-offs)	Business or Leisure Meet & Greet	
5-10 minute survey	Origin (FSA or Postal Code)	
The survey for those living outside the catchment area could be significantly shorter – as we expect they would be far less likely to be interested in UP	Frequency of meet/drop off trips to Pearson	
	Length of time spent in airport	
Sample to be weighted to align with Catchment Area defined by SDG (i.e. weighted to downtown core)	Parking Time and Cost	
	Interest in UP	
	Variation in travel by time of day	



- As a major international, trans-border and domestic air travel hub, Toronto Pearson airport has a significant proportion of connecting passengers, for which Toronto is neither an origin nor a destination for their journey
- Connecting passengers can either stay inside the airport during the day or night, stay close by in an airport hotel, or travel to another area (such as downtown Toronto)
- At present, we have limited information about the size of this audience and how likely they are to be interested in a) travelling to downtown Toronto during while waiting for their next flight, and b) willingness to consider UP for this journey
- The objectives for this research piece are to:
 - Understand the size of this potential customer market
 - Understand barriers to traveling outside of the airport to downtown Toronto
 - Understand willingness to consider UP as an option
 - Inform pricing strategy by understanding which is the most preferred fare option for this potential customer group



- GTAA have provided data which could enable us to start sizing the connecting passengers market for UP Express
- The potential customer target market will be approximately 2,300 passengers per day, based on the following assumptions:
 - 34 million Passengers Per Year travel through Toronto Pearson
 - Of these, 9.5 million or 28% of these are connecting passengers
 - Of these connecting passengers, 855,000 or 9% spend over 6 hours in the terminal when connecting
 - » This is around 2,300 passengers per day
- However, this figure does not include connecting passengers who leave the airport for an overnight stay as it is based on time spent inside the airport terminal
- Further discussions with the GTAA could be helpful to:
 - A) Confirm if our assumptions are correct; and
 - B) Understand if there is any further information regarding connecting passengers (e.g. how many leave the airport) that could prove useful for the study.

Connecting Passengers: Methodology (3/4)



- We recommend a quantitative approach to conduct intercept interviews at the airport as passengers are waiting at the departure gate
 - Existing in-airport passenger surveys (such as the UK Civil Aviation Authority) minimize inconvenience by conducting short interviews as passengers are waiting to board at the gate
- The costs of the intercept survey are mostly contingent upon sample size and incidence (the proportion of people in a given area that are relevant to be surveyed)
- A targeted approach, interviewing only connecting passengers waiting for 6 hours+ in the terminal would cost considerably more than a wider survey of all passengers, or all connecting passengers
 - For example, estimates based on GTAA data suggested 4% of total passengers are connectors waiting for 6 hours+ in the airport, at a 4% incidence, interviewers would have to approach and screen more than 20 passengers to achieve one completed interview
- An effective compromise that we recommend is to conduct 600 interviews with an audience of **all connecting passengers**
 - We would ask firstly about their current trip, and if not, whether they have had a 6 hour+ transit through Toronto Pearson in the last six months

Proposed Methodology

600 intercept interviews targeting all connecting passengers (30% incidence) and all passengers who have had a 6 hour+ connecting flight in the last six months



Proposed Methodology	Key Question Areas to Understand Demand and Opportunity
600 Intercept interviews at Departure Gates within Toronto Pearson Airport Due to very low incidence of target audience, we recommend that the survey be open to the following audiences: - Connecting passengers in terminal currently on 6 hour+ transit time - Connecting passengers in terminal with less than 6 hours transit time - All passengers who have previously had a 6 hour+ connect at Toronto Pearson Airport in last six months 5-10 minute interview length	Length of transit connection <i>Length of transit connection for previous flights (last six months) if applicable</i> Group size Interest in traveling downtown during transit Flight origin and destination Perception of time needed to clear immigration and re-check in Specific questions regarding overnight stay – and choice of hotel Perception of quality of activities/sightseeing in Toronto Interest in UP Price sensitivity