METROLINX
An agency of the Government of Ontario
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Union Pearson Express

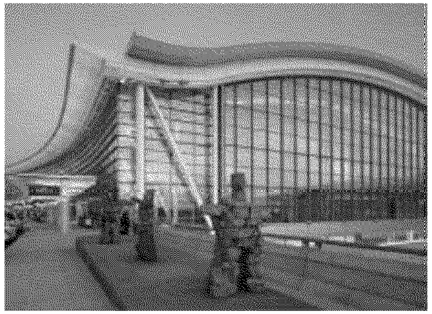
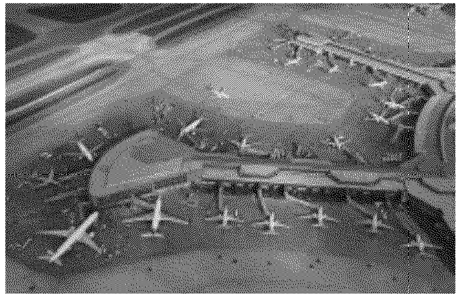
February 2013

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)

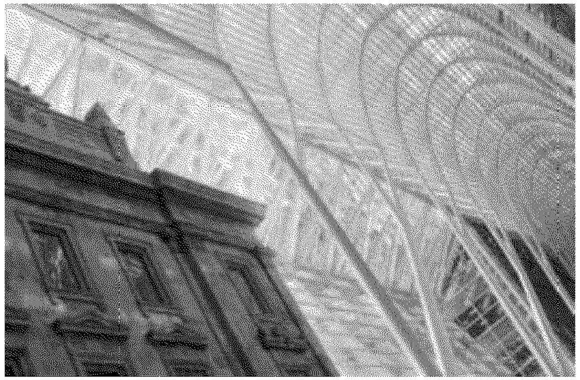
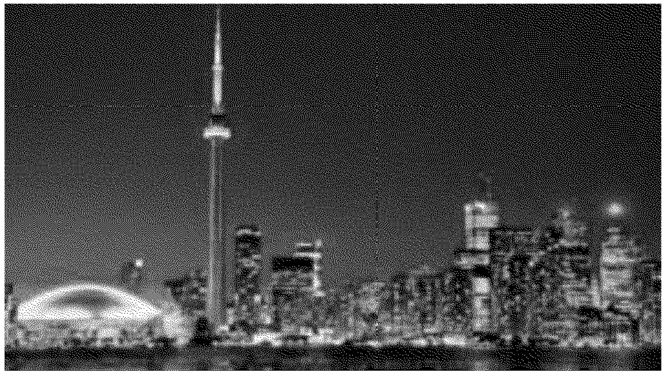
Toronto Pearson
(30 million passengers expected to grow to 50 million passengers by 2031)



Elevated Experience

ELEVATING TORONTO

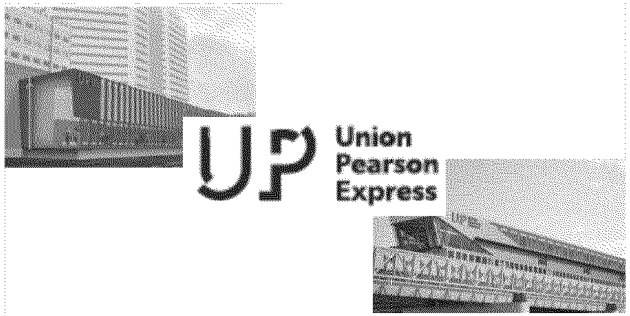

The Union Pearson Express will not only provide fast, reliable elevated service to its guests, but also raise Toronto and Ontario's profile.

Metrolinx Expertise

METROLINX

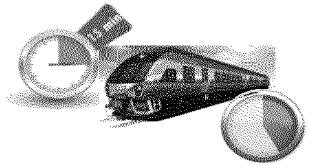
The Air Rail Link (ARL) will be delivered and operated leveraging Metrolinx, GO and PRESTO expertise and capabilities in building and running air-rail services

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

Pan Am
TORONTO
2015

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

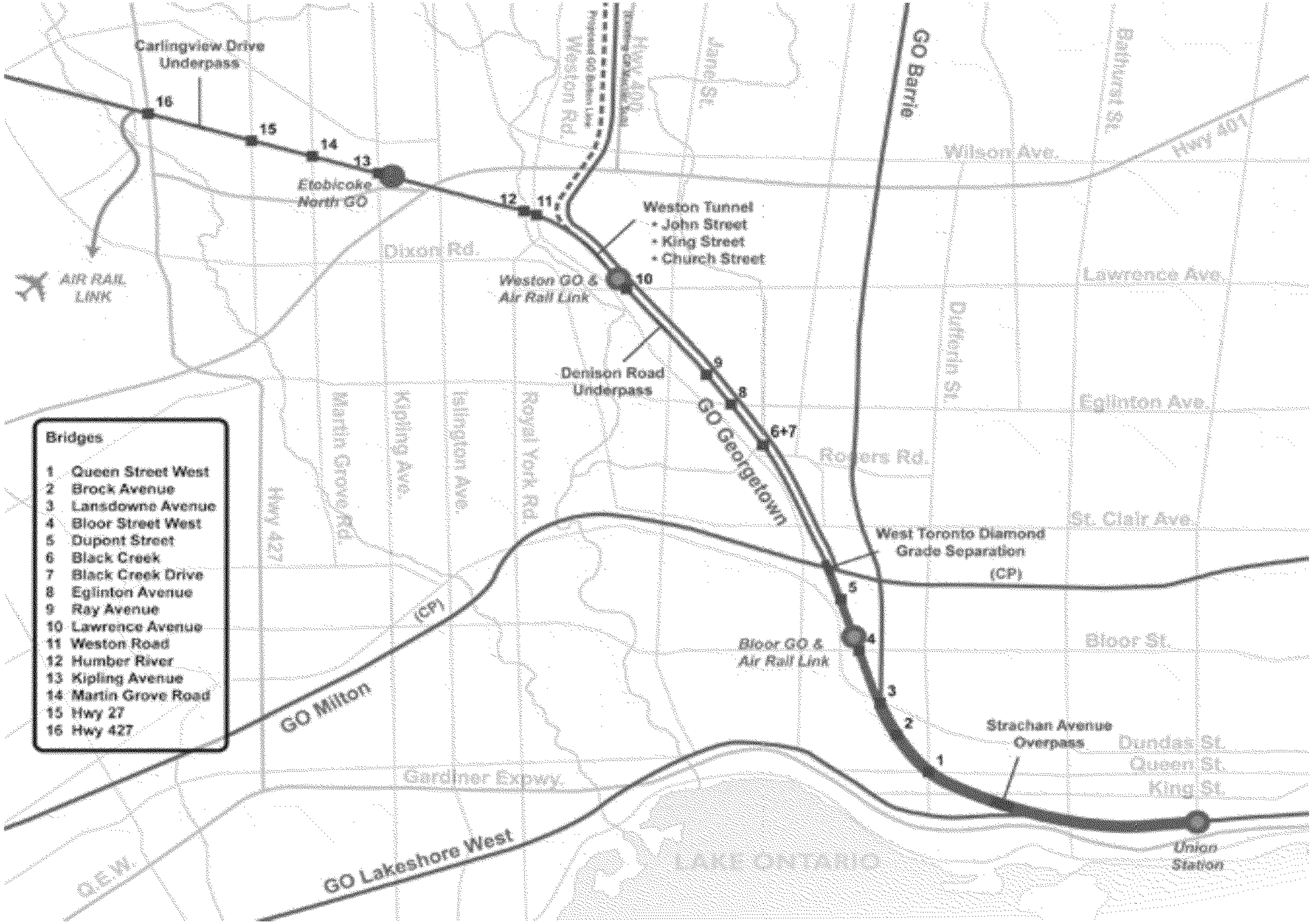
Economic Development

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



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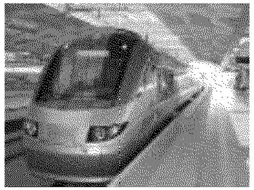
Dedicated Air Rail Links differentiate themselves from other rail services

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

Leading Air Rail Links



Leading ARLs are characterized by fast, convenient, comfortable service, often providing valued amenities, services and focus on the end-to-end customer experience

Fast
- Tend to be express trains that move at a faster speed than most commuter trains

Convenient
- Direct and reliable service to and from airport terminals to downtown city centre locations
- Minimal stops

Comfortable
- Heightened levels of comfort for travellers (e.g., more spacious, comfortable seating, luggage storage on trains)

Amenities
- Wide array of amenities available (e.g., Wi-Fi, television screens display weather and news, Flight Information Displays, onboard washrooms, check-in kiosks)

Other Commuter and Metro Trains

Other trains that provide services between city centres and airports tend to be slower, with more frequent stops, and fewer amenities

Affordable
- Usually cheaper than differentiated ARLs
- Often associated with / part of a city's public transit system

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

Less Comfortable
- Crowded (e.g., standing room)
- Usually no designated areas to stow luggage

Lack of Amenities
- Few to no amenities onboard
- Primarily in the service of transporting people from station to station

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

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

Notes: [1]Some airports have rail links from more than one city or region via different service providers; [2] 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 downtown

Our vision, mission, and strategic positioning will elevate UP Express as a wor[redacted]in the air rail link category

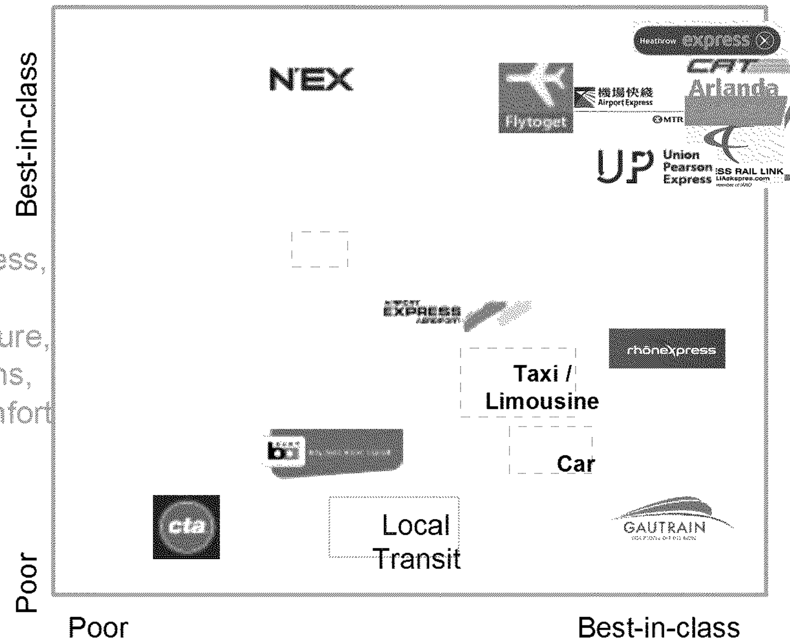
[redacted]

[redacted]

ARL's Strategic Positioning

Atmosphere and Amenities

Components: Uniqueness, brand, cutting-edge facilities and infrastructure, retail and service options, entertainment, and comfort



Customer Travel Efficiency

Components: Accessibility, consistency, reliability, travel time, and availability of information

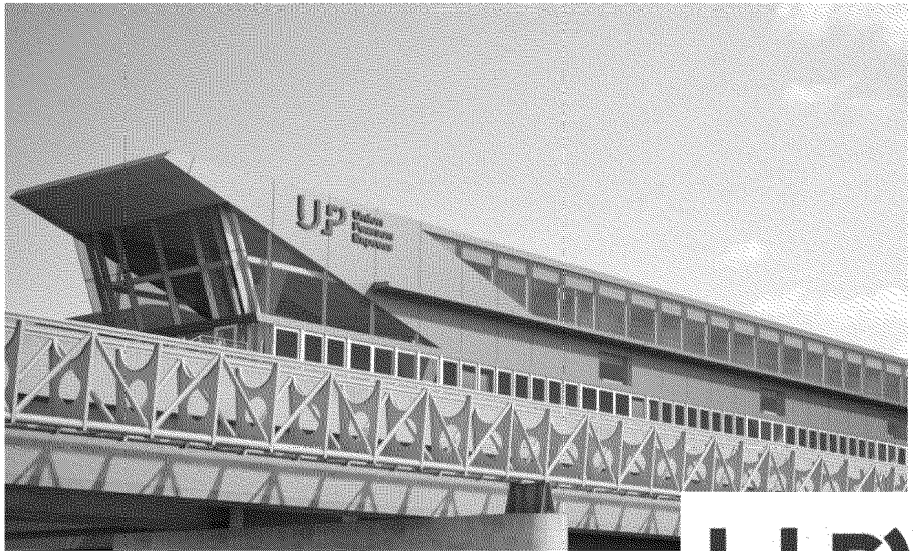
ARL will be best-in-class in both atmosphere and amenities and customer travel efficiency by:

- Being a **fast and reliable service** that connects the two busiest passenger transportation hubs in Canada – Union Station and Toronto Pearson
- Providing an **elevated customer experience** that pleasantly surprises our guests with **unique amenities and services**

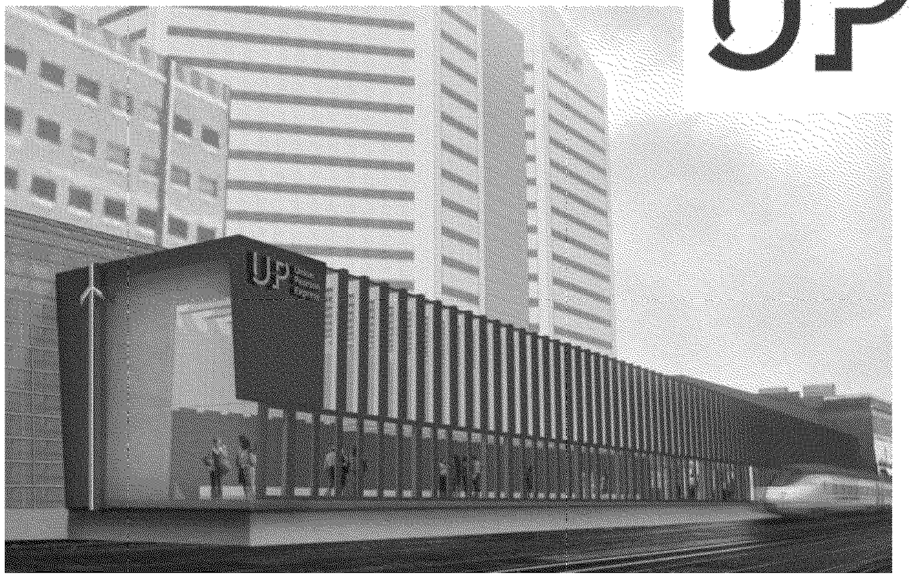
Legend ARL's local competitors

Global ARLs

Welcome to the Union Pearson Express



UP Union Pearson Express



Capital Cost Summary

Exclusion per Committee Direction

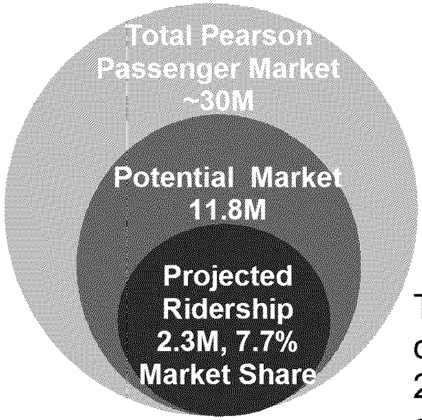
Operating Revenues and Costs Summary

FY2015-18 Revenues and Operating Costs (Nominal $$, Millions)*

Exclusion per Committee Direction

Potential Market and Ridership

Market Size

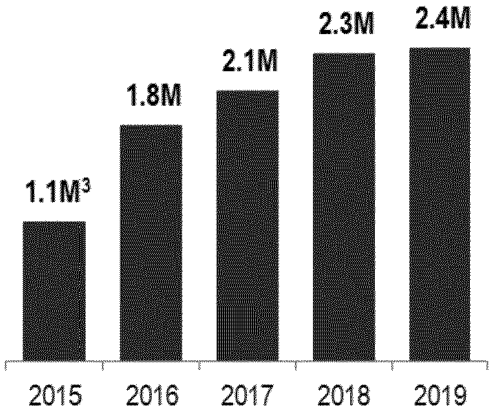


Note: 2018 SDG Market Size

Total Toronto Pearson air passenger market (excludes connecting passengers)

In-scope market based on identified catchment areas

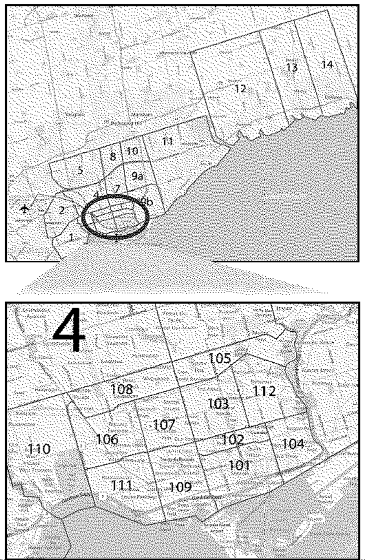
The Union Pearson Express is expected to capture 2.3M riders in 2018[1,2], reduced from the 2.97M base forecast based on price sensitivity analysis Exclusion per Committee Direction



Ridership studies confirmed a strong demand for a dedicated 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

[1] Source: Ridership and Revenue Forecast, Steer Davies Gleave, 2011

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

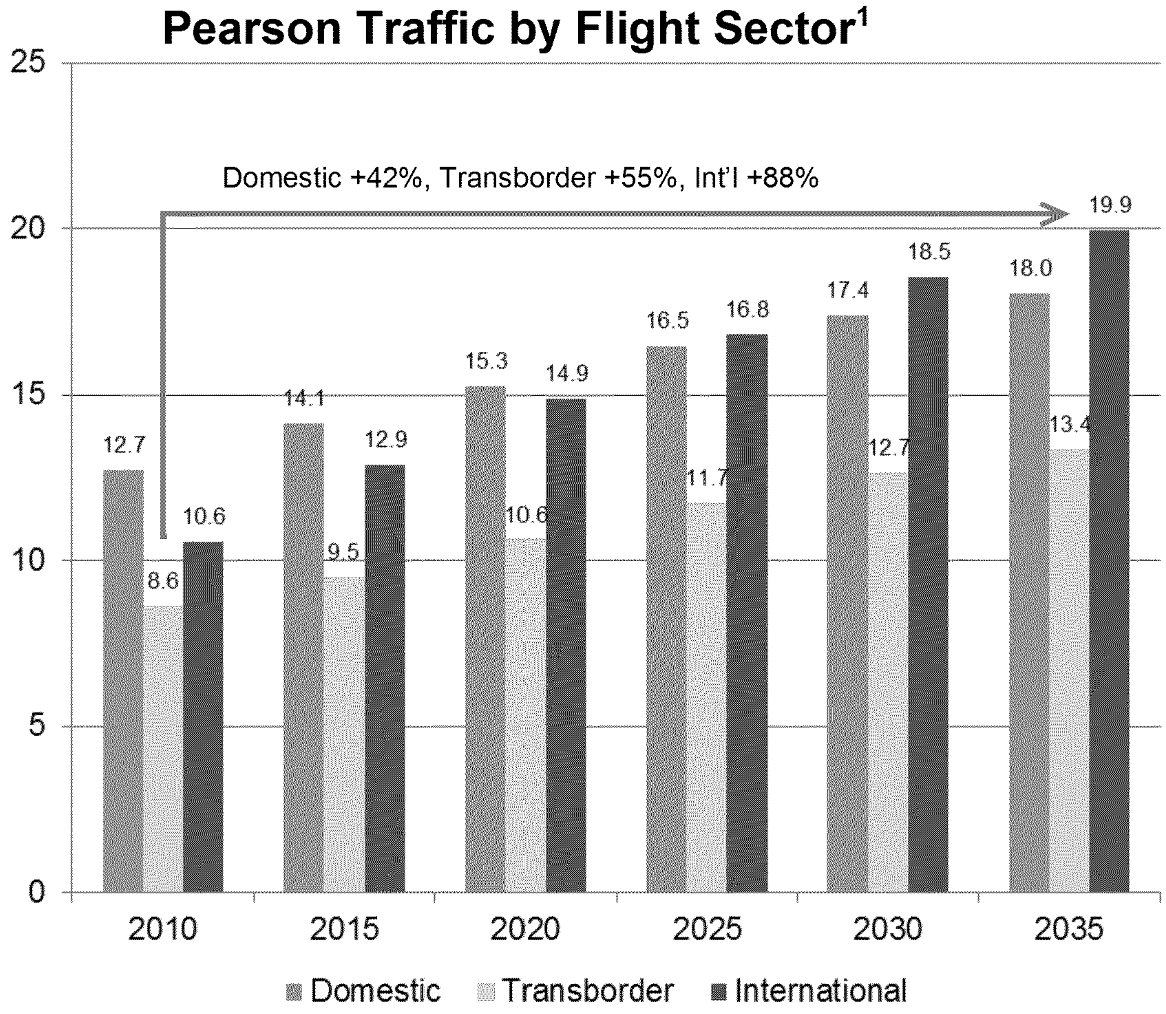
Ridership forecasts have been largely consistent over the past ten years

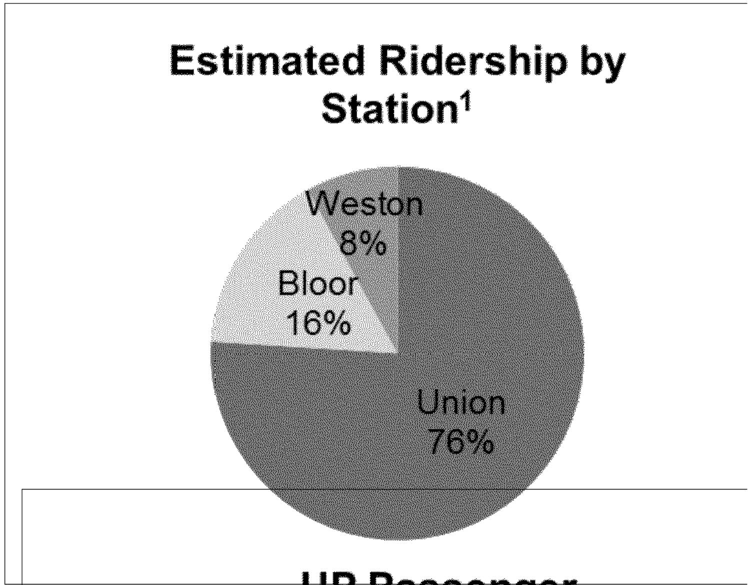
Forecasts	Base Ridership Forecast (Opening Year)	Opening Year Airport Traffic[3]	Opening Year Market Share	Base Ridership Forecast (Maturity)	Maturity Year Airport Traffic[3]	Maturity Year Market Share
2002 Halcrow[2] (Transport Canada)	1.57M (2005)	24.6M	6.3%	3.15M (2010)	33.6M	10.6%
2004 SDG[1] (Private Sector)	2.21M (2008)	25.2M	8.8%	2.73M (2013) 3.13M (2018)	31.0M	8.8%
2009 SDG[1] (Private Sector)	1.49M (2015)	29.5M	5.1%	2.63M (2020) 2.56M (2018)	33.5M	7.9%
2011 SDG[1] (Metrolinx)	1.35M (2015) *Apr-Dec*	20.1M *Apr-Dec*	6.7%	3.08M (2020) 2.97M (2018)	29.9M	10.3%

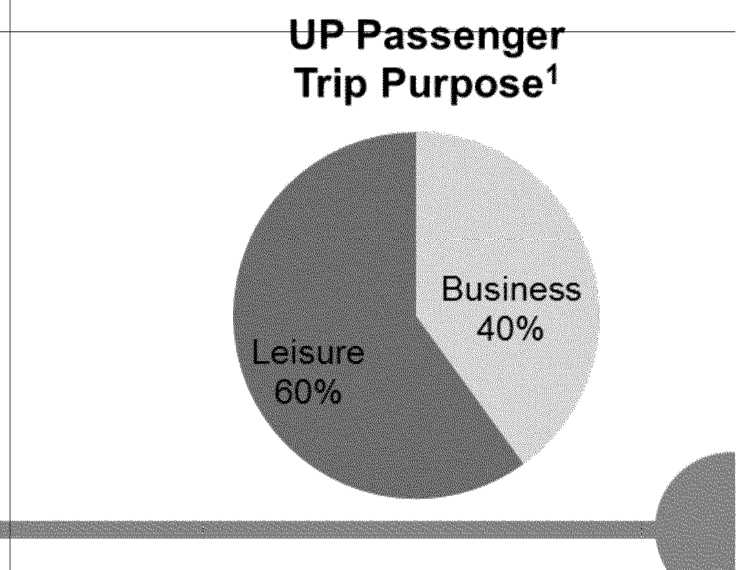
- Repeated attitudinal surveys and global best practices have shown consistent price point and service level preferences
- The 2011 SDG study showed a meaningful demand for the service under the current business model, consistent with ridership studies to date (e.g. Halcrow, previous SDG)
- Conservative 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
- Updates to ridership forecasts are planned for 2013 and 2014

[1] Steer Davies Gleave
[2] Ridership forecast excludes airport employees for consistency purposes
[3] Excludes connecting passengers

Pearson international passenger traffic is forecasted to increase by 88% in 25 years



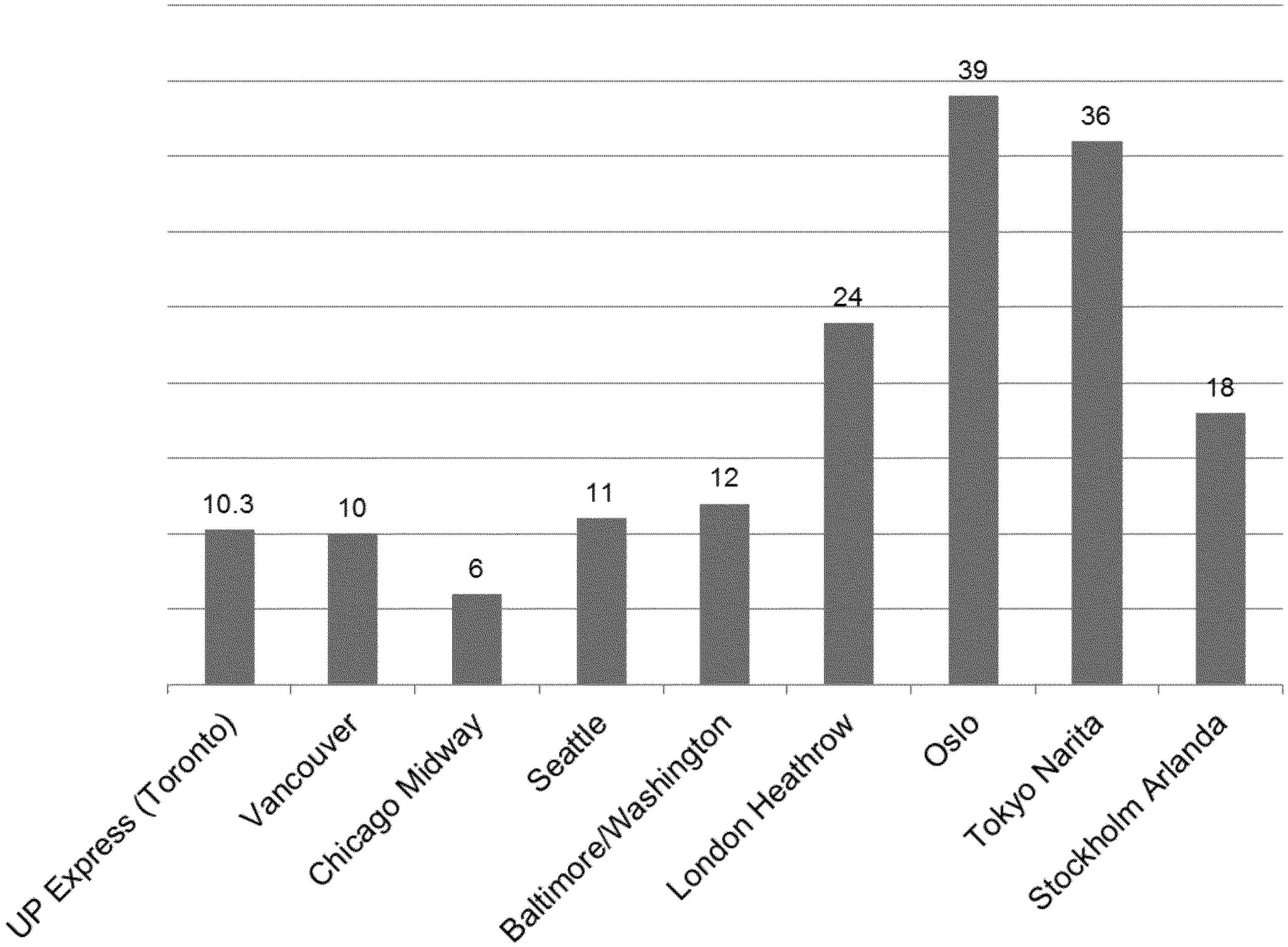




[1] Steer Davies Gleave, 2011

UP Express market share will be comparable to other North American airports

Rail Market Share (%) at North American and Global Aiports[1]



Other Key Insights[1]

Commercially Sensitive Information

- UP Express will capture 68% of the in-scope demand in the vicinity of Union Station; and 53% in the vicinity of Bloor Station

[1] Steer Davies Gleave, 2011; UP Express market share of 10.3% based on 2020 3.08M ridership forecast

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UP Express will be priced competitively

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	$26.95-29.95*
 TTC Subway + GO Bus	~25-60 minute trip ~60 minute bus frequency ~4 minute subway frequency	$8.00
 TTC Subway and Express Bus	~75-90 minute trip ~10 minute bus frequency ~4 minute subway frequency	$3.00

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

Source: Deloitte Best Practices Research, 2012; Google Exchange, January 2012
* Airport Express offers one-way fares at $26.95 , or $29.95 for connector service to additional downtown hotels
** First-class train fare, *** $38.7 from Oslo S (main station) / $42.7 from Drammen (terminus station),

Exclusion per Committee Direction

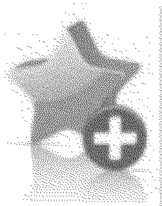
* As of June 2012, airport taxi fare is fixed at $55+tip and Airport Express Bus single fare is $26.95 ($40.00 for return)

Exclusion per Committee Direction

Opportunities Exist to Leverage New Markets and Increase Demand

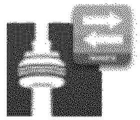
Exclusion per Committee Direction

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

* For trips that originate or terminate at a station other than Union Station or Toronto Pearson

Milestones and Timelines – 2 Year Countdown

Spring: Commence construction on the spur line

Complete all required land acquisition and right-of-way agreements

March: T1 station/lounge construction commences

March: APM closes down for 6 months

April: Two year Count Down Begins

Fall/Winter: recruitment and training begins

February: Pilot vehicle arrives

April:

Vehicle Testing

Spring: Finalize installation and commissioning of tech + fare collection systems

Finalize fare structure

Customer website and uniform design revealed

Summer:

Pan Am and Parapan Am Games

Continue to deliver a seamless, relaxing, customer-focused transportation experience

We are here

Summer/Fall: Define 5 year business strategy and plan

Develop the operating plan and resource requirements

March: Construction commences on Bloor Station

June/July: Union Station construction commences

Fall: Benefit Cost Analysis (BCA) will re-confirm overall project feasibility and opportunities for future expansion of service

June: Complete spur line construction

Fall/Winter: Commission spur line signalling

All station construction completed

Complete the on line service facility

Union Pearson Express

April:
Official Launch of UP Express Service

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
- As a part of the "Big Move", an Environmental Assessment for the electrification of UP Express service is underway. The EA should be completed by the fall of 2014.

Issues & Mitigation Strategies

Solicitor Client / Litigation / Settlement / Common Interest Privilege

Contacts

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Appendix

The Air Rail Link has been in planning and implementation over the past 15 years

Transport Canada Ridership Studies
—1999 by IBI Group
—2002 by Halcrow Group Ltd (Bankable**)

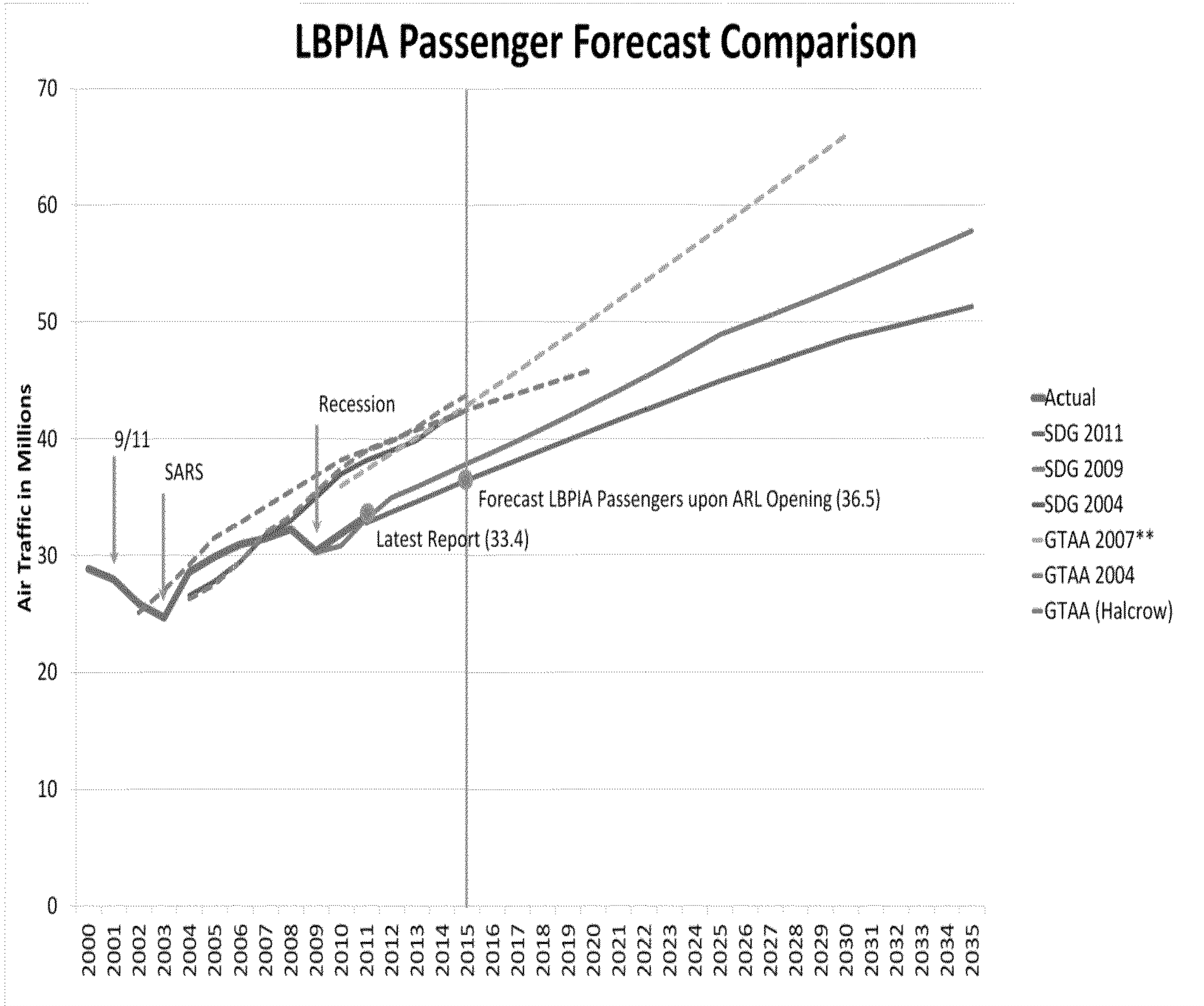
SNC-Lavalin Ridership Studies
—2004 by Steer Davies Gleave* (Bankable**)
—2009 by Steer Davies Gleave* (Bankable**)

Metrolinx Ridership Studies
—2011 by Steer Davies Gleave (Update based on above studies)
—2013/14 update will be underway

Additional Supportive Studies
—2001 Traffic and Financial Projections Study by KPMG
—2010 Ridership Due Diligence Audit by Jacobs Consultancy* (for the Lenders)
—2012 Discrete Choice Market Research Study by Deloitte/Ipsos Reid

* Some commercial elements of these documents are confidential (SNC-Lavalin Capital)
** During the Request for Business Case Process, the bidders requested a bankable ridership study that would be accepted by potential lenders

The ridership forecasts were re-based to reflect changes in airport traffic volumes



Source: GTAA Passenger Forecast Comparison – Data collected and extrapolated from various sources

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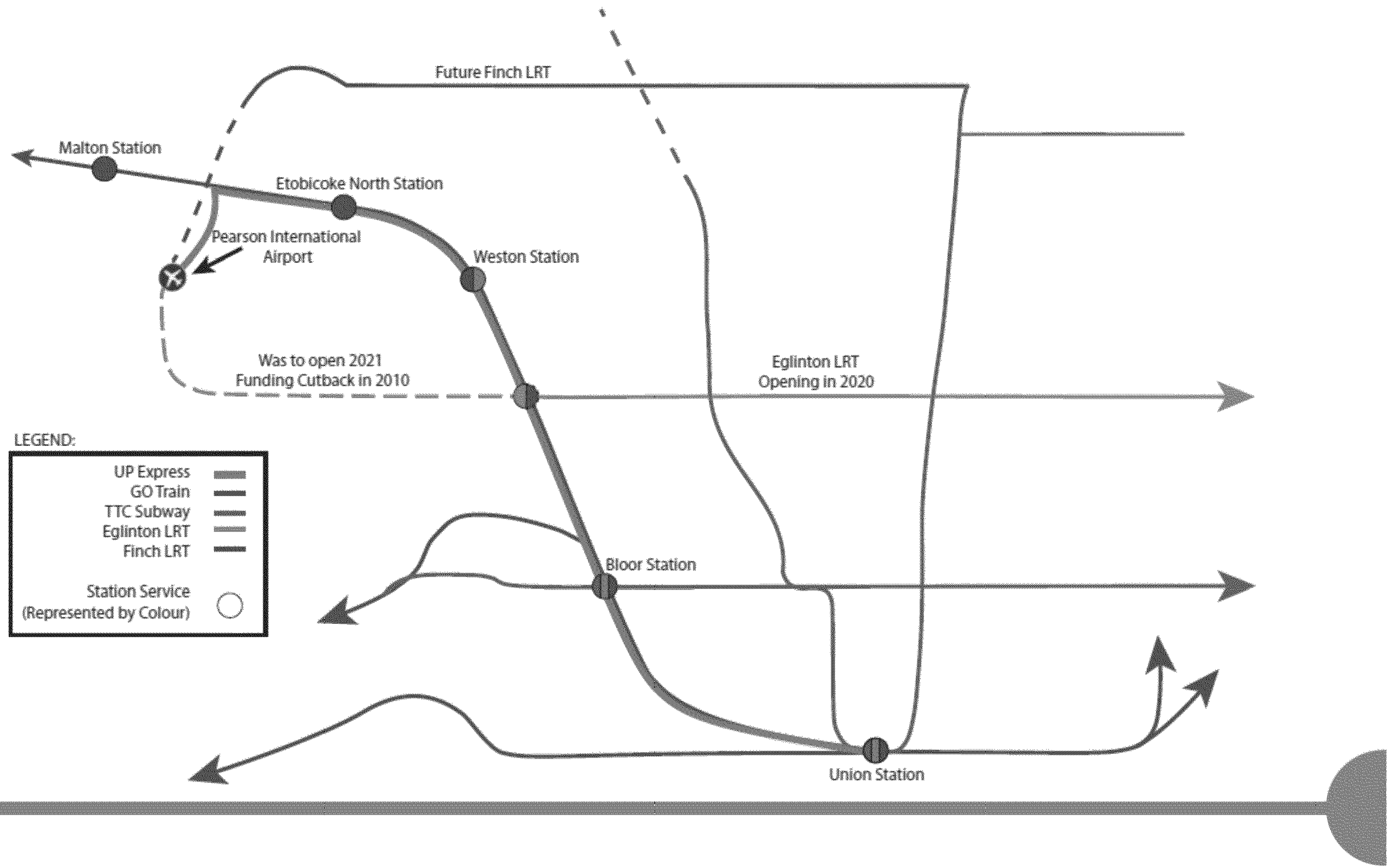
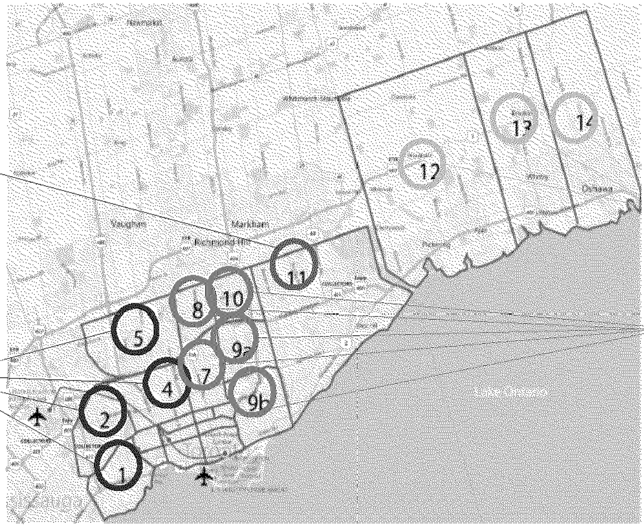
The ridership reviews from 2009 include the effects of Eglinton LRT connection at Pearson



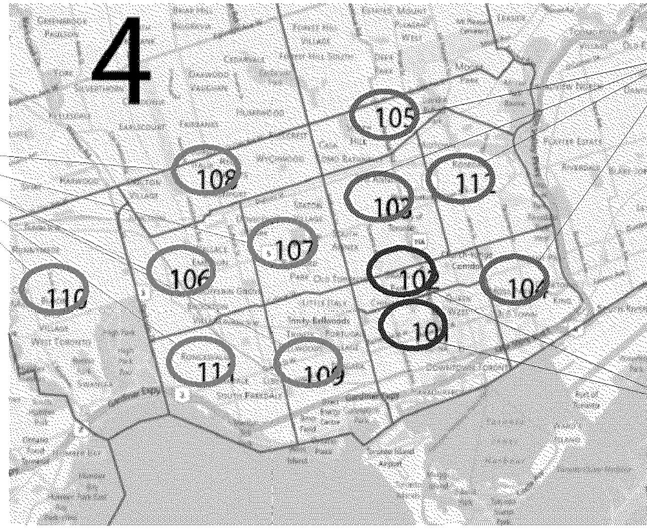
Downtown is the primary catchment area for UP Express ridership

All Catchment Areas[1]



Area	Definition
1	Etobicoke South
2	Etobicoke Central – Humber Valley
4	Central Area/Weston – Eglinton West/York
5	Central Area – Downsview/Jane & Finch
7	Central Area – Forest Hill
8	Central Area – Thornhill
9A	Central Area – Ellesmere/Eglinton East
9B	Central Area – Danforth/Beaches
10	Central Area – Steeles
11	Scarborough
12	Pickering/Ajax
13	Whitby
14	Oshawa

Downtown Catchment Areas[1]



Area	Definition
101	Core – South of Dundas
102	Core – North of Dundas
103	East – The Annex
104	East – Corktown/Distillery/Moss Park
105	East – Casa Lomo/Moore Park/Leaside
106	West – Brockton Village
107	West – Dovercourt/Bickford Park
108	West – Wychwood Park
109	West – Little Italy/Trinity-Bellwoods/King West/Liberty Village
110	West – Bloor West Village/High Park/The Junction
111	West – Roncesvalles/Parkdale
112	East – Summerhill/Rosedale/Regent Park

[1] Steer Davies Gleave, 2011

Exclusion per Committee Direction