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Union Pearson Express

March 2013

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Potential Market and Ridership

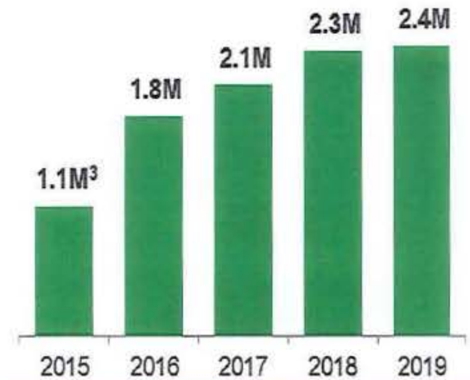
Market Size

Note: 2018 SDG Market Size

Total Toronto Pearson air passenger market (excludes connecting passengers)

In-scope market based on identified catchment areas

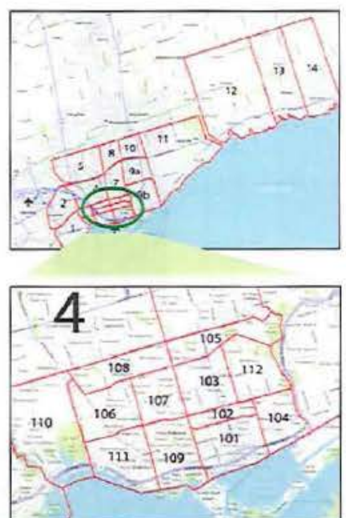
The Union Pearson Express is expected to capture 2.3M riders in 2018[1,2], reduced from the 2.97M base forecast based on price sensitivity analysis non-responsive)



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
[2] non-responsive
[3] 2015 ridership represents the first calendar year of ARL service or the nine month period from April 2015 to December 2015

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- Based on the SDG Ridership and Revenue Forecast, fare revenue is expected to be maximized at one-way fare prices of from Union, from Bloor, and from Weston
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- Non-Responsive

Source: Ridership and Revenue Forecast, Steer Davies Gleave, Refreshed in 2011

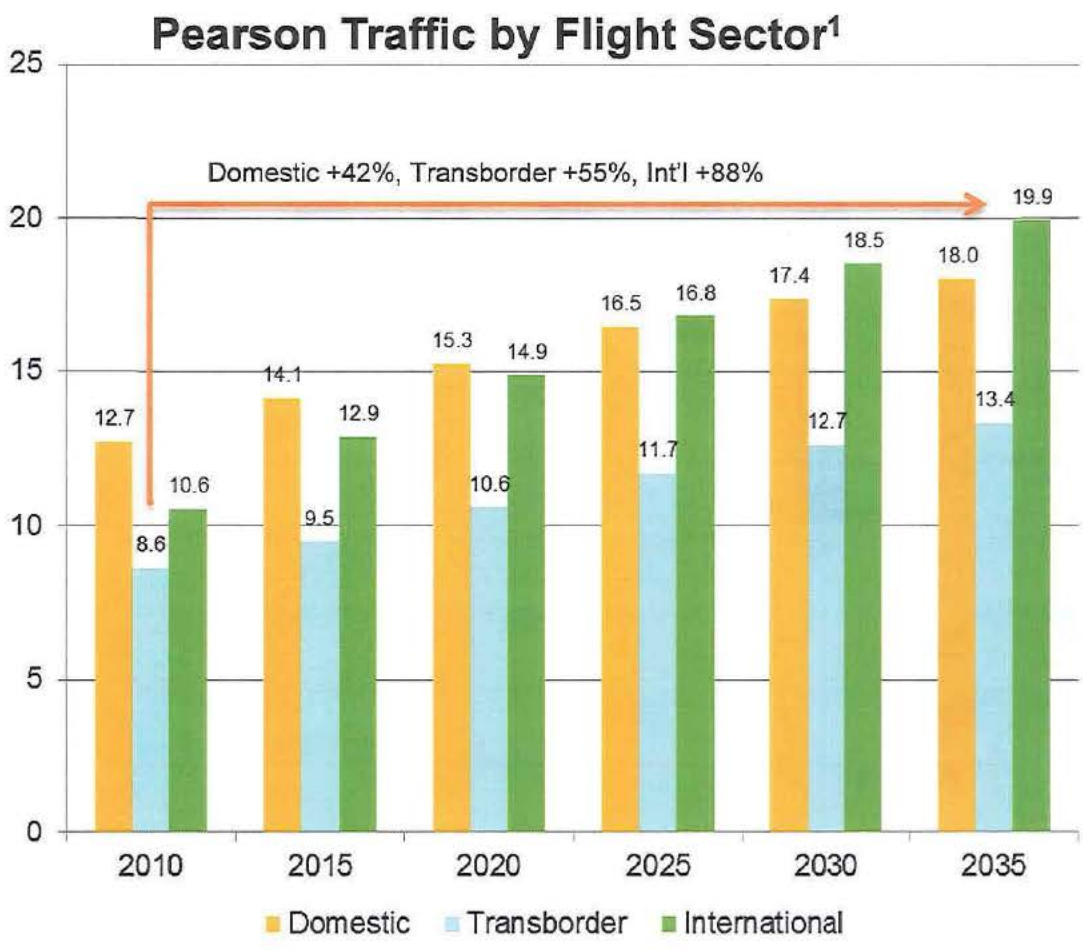
Ridership forecasts have been largely consistent over the past ten years

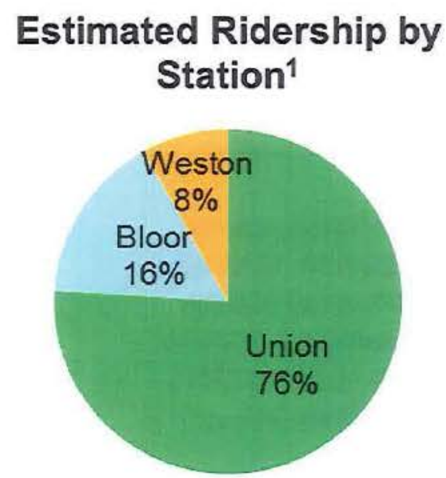
Forecasts	Base Ridership Forecast (Opening Year)	Opening Year Airport Traffic[3]	Opening Year Market Share	Base Ridership Forecast (Maturity)	Maturity Year Airport Traffic[3]	Maturity Year Market Share
Non-Responsive						
2011 SDG[1] (Metrolinx)	1.35M (2015) *Apr-Dec*	20.1M *Apr-Dec*	6.7%	3.08M (2020) 2.97M (2018)	29.9M	10.3%

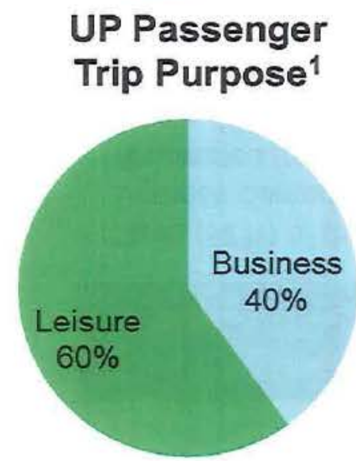
- Non-Responsive
- The 2011 SDG study showed a meaningful demand for the service under the current business model, consistent with ridership studies to date (e.g. Halcrow, previous SDG)
- Conservative assumptions were used to address ridership forecasts:
  - Only air travellers included in the ridership 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

Other Key Insights[1]

- Most (62%) of the UP Express demand is abstracted from the taxi mode; 11% from Airport Express Bus and 27% from car travel (parking, drop-off)
- 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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Issues & Mitigation Strategies

Non-Responsive

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The Ontario Auditor General advised that Metrolinx should work with MTO to clearly define the UP Express business model to ensure that it is a viable and sustainable operation and, given the importance of having a reliable estimate of projected ridership at the various possible fare levels, that Metrolinx periodically update its ridership forecast.

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- Metrolinx will update ridership forecasts in Spring 2013 & Spring 2014 and announce service details and fares in 2014.

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Issues & Mitigation Strategies

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Contacts

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Appendix

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

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Metrolinx Ridership Studies

- 2011 by Steer Davies Gleave (Update based on above studies)
- 2013/14 update will be underway

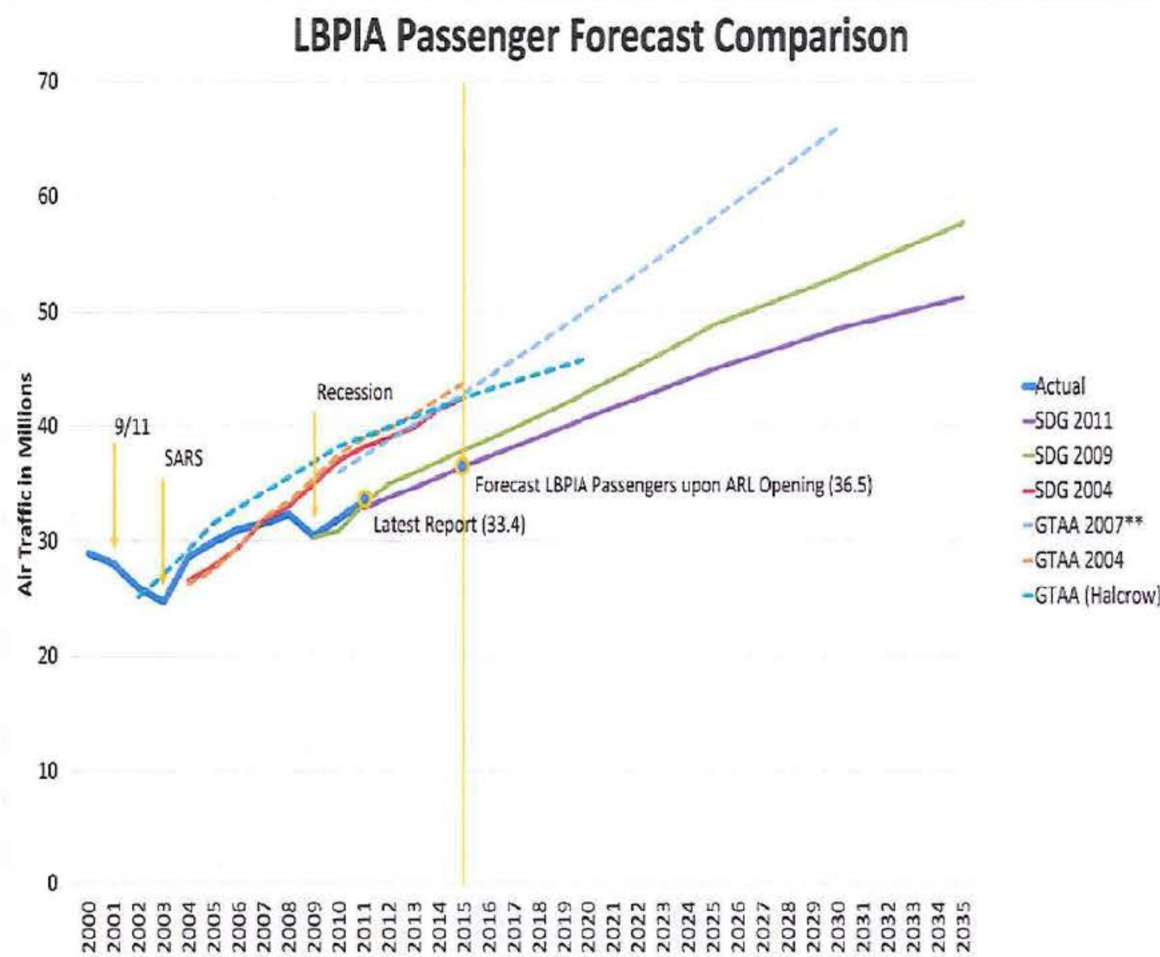
Additional Supportive Studies

- Non-Responsive
- 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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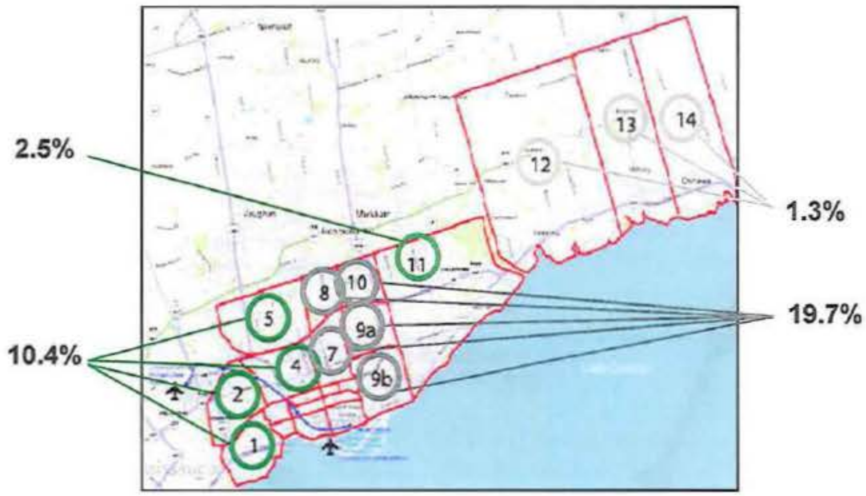
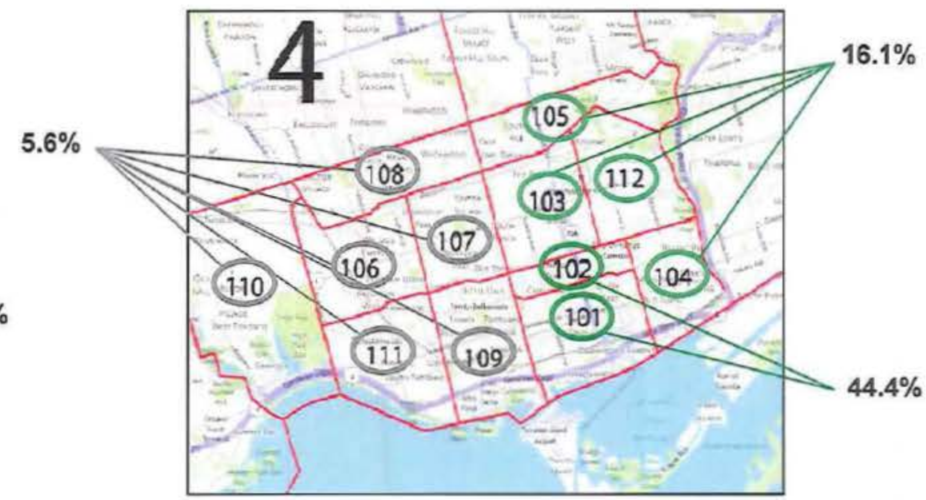
Downtown is the primary catchment area for UP Express ridership

All Catchment Areas[1]



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

Downtown Catchment Areas[1]

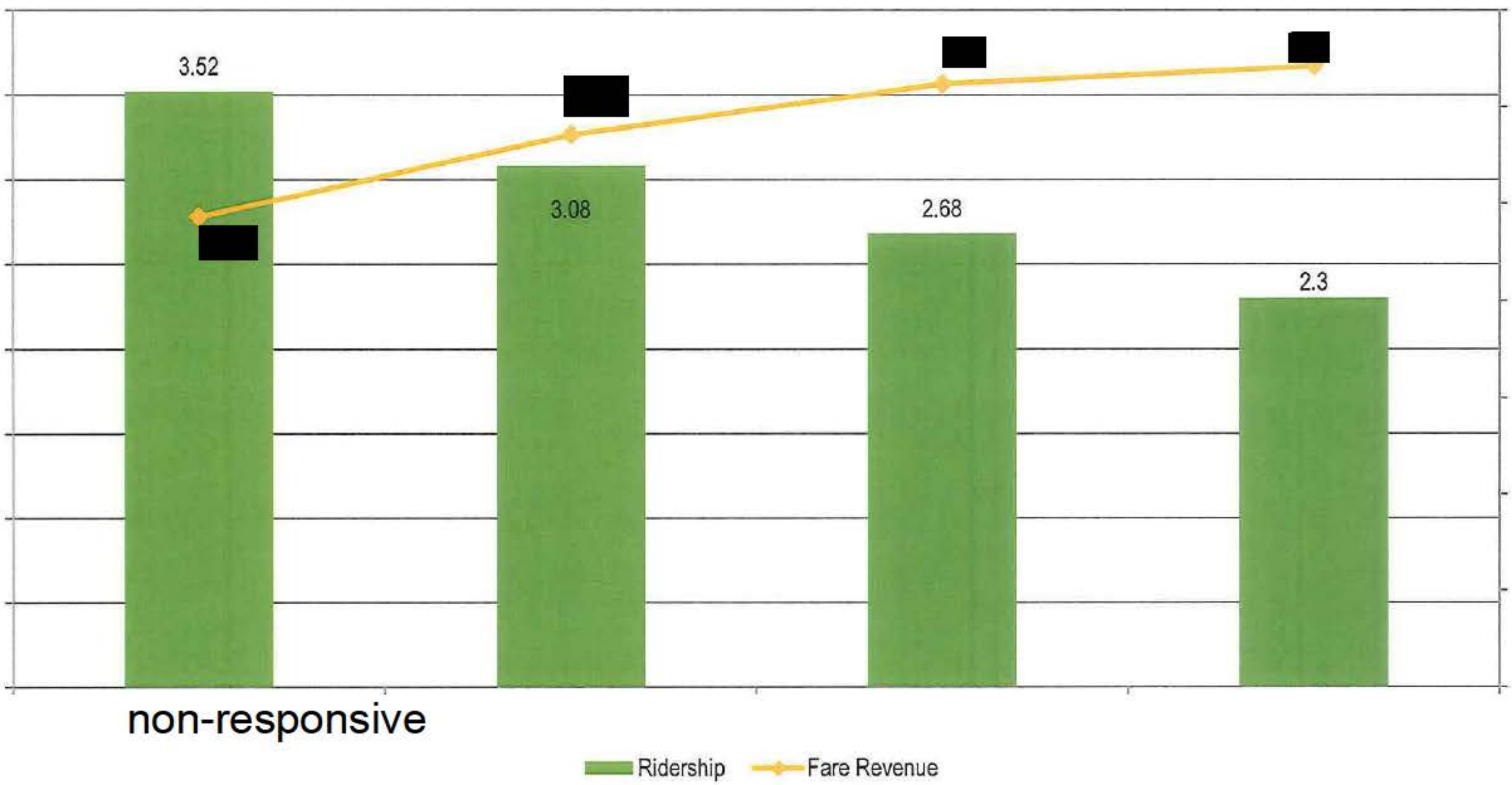


Area	Definition	Area	Definition
101	Core – South of Dundas	108	West – Wychwood Park
102	Core – North of Dundas	109	West – Little Italy/Trinity-Bellwoods/King West/Liberty Village
103	East – The Annex	110	West – Bloor West Village/High Park/The Junction
104	East – Corktown/Distillery/Moss Park	111	West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

[1] Steer Davies Gleave, 2011

All ridership studies included price sensitivity analysis to understand ridership impacts

Forecasted Ridership and Fare Revenue in FY2018 (Millions), $2012



[1] Steer Davies Gleave, 2011 and Draft Business Strategy and Plan, 2012