

To: Metrolinx Board of Directors
From: Kathy Haley, President, Union Pearson Express
Date: February 23, 2016
Re: **UP Express Business Strategy Report**

Recommendation

THAT the Board of Directors approve the revised fare structure for UP Express as described in the President, Union Pearson Express' February 23, 2016 report to the Board.

Executive Summary

Metrolinx has had four key objectives in the launch of the UP Express. First, the service was to be launched on time and on budget, in time for the Pan Am Parapan Games. This was accomplished in June 2015. Second, the service was to have a high level of operational excellence. This has also been achieved, with an on-time performance that exceeds 97%¹. Third, customer satisfaction needed to be high in order to retain customers, and this has been accomplished with positive feedback from guests, with 87% likely to recommend to family and friends. Fourth, our objective was to achieve an average daily ridership of 5,000 customers by June 2016. This final objective has not yet been achieved, and based on current ridership levels, is not likely to be achieved by the target date. Management is therefore recommending a series of initiatives to address ridership levels, including a new fare structure to attract and retain riders. The new fare structure will provide significant reductions in fares for travel to/from Pearson Airport, as well as savings for those travelling between Union Station, Bloor Station and Weston Station by aligning with GO Transit fares.

Management is recommending that the PRESTO adult one-way fare be reduced to \$9 for travel between Union Station and Pearson Airport, \$5.02 for travel between Bloor Station and Pearson Airport and \$4.71 for travel between Weston Station and Pearson Airport. The non-PRESTO adult one-way fare would be reduced to \$12 for travel between Union Station and Pearson Airport, \$5.65 for travel between Bloor Station and Pearson Airport and \$5.30 for travel between Weston Station and Pearson Airport.

To attract commuter traffic to the service, fares for one- and two-stop travel will be aligned with GO Transit PRESTO and non-PRESTO fares. For example, travel between one stop, such as Bloor Station and Weston Station, would be reduced to \$4.71 with a PRESTO card and \$5.30 without a PRESTO card. Travel between two-stops, such as Union Station and Weston Station, would be reduced to \$5.02 with a PRESTO card and \$5.65 without a PRESTO card.

¹ On-Time Performance as of February 2016



The revised fare strategy, augmented by a marketing and awareness outreach campaign, is intended to incent trial, address perceptions that fares are too high, and provide additional transportation options for trips between downtown Toronto and communities along the rail corridor. While UP Express is still an air-rail link, these new lower fares are expected to be attractive to commuters.

These new fares would take effect on March 9, 2016. Making these fare changes requires adjustments to a variety of systems. In the period from today to March 9th, while Metrolinx makes the necessary system adjustments to implement these fare changes, management is proposing that those who purchase UP Express tickets during this time be provided with a voucher for a complimentary future ride.

Background

In the nine months since UP Express launched, Metrolinx has continuously monitored all aspects of service performance including operations, guest experience and ridership. Since the service was launched on time and on budget in June 2015, on-time performance has met all expectations, with outcomes that exceed 97%. Feedback from guests who have experienced the service has been positive, with 87% likely to recommend to family and friends.

However, ridership has not been achieving the levels anticipated in the forecasts prepared prior to the launch of the service. Passenger volumes have in recent months been averaging between 2,400-2,600 passengers per day, and the initial growth rates experienced in the first months of service have not been sustained. Given the current level of ridership, management does not expect that the service will achieve the 5,000 average daily passengers forecast for June 2016.

Research undertaken since the launch of the service suggests that there are four key barriers to achieving the ridership forecasts. First, overall awareness of the service among target markets is lower than expected at this point in time. It has been more challenging than expected to reach both local and non-local markets to ensure they are aware of the service. Notwithstanding the significant media focus on the service and the marketing efforts that have been undertaken, more effort is required to build awareness of the service.

Second, engrained habits on how people travel between Pearson Airport and downtown Toronto have proven to be difficult to change. Individuals are used to driving, taking a taxi or limousine to the airport, and with the recent rise of car/ride sharing services, more effort is required to incent people to change their past practice and test the new service.

Third, there is uncertainty among potential customers about the beginning and end portions of their trip. This includes the “first mile/last mile” topic, in terms of the total trip time experienced by customers, and navigating at Pearson Airport and Union Station, both of which are complex visual environments, and with ongoing construction at Union Station making wayfinding and signage more complex.

These three barriers will require strategies in order to address, and these are outlined later in this report.



The fourth barrier to ridership growth has been perceptions about price. The research indicates that there is a view that UP Express is expensive, without knowledge among potential customers what the exact price is.

As evidenced by the large turnout on the recent Family Day Weekend, when more than 43,000 riders waited in line up to 2-3 hours in order to ride for free, there is a great deal of interest in and curiosity about UP Express. Management is proposing a multi-faceted strategy to build on this interest. A key part of this strategy is a new fare structure.

The proposed new fare strategy is designed to attract new riders, change air travellers’ ingrained travel habits around ground transportation, provide a viable new travel option for travel between downtown Toronto and communities served by UP Express, and reinforce UP Express as a high-quality component of the region’s transportation network.

The following table sets out the proposed new fare prices to be offered on UP Express, effective March 9, 2016:

UP FARE STRUCTURE									
	3 STOPS UNION ↔ PEARSON			2 STOPS UNION ↔ WESTON BLOOR ↔ PEARSON			1 STOP UNION ↔ BLOOR BLOOR ↔ WESTON WESTON ↔ PEARSON		
	ONE-WAY PRESTO	ONE-WAY NON PRESTO	RETURN	ONE-WAY PRESTO	ONE-WAY NON PRESTO	RETURN	ONE-WAY PRESTO	ONE-WAY NON PRESTO	RETURN
ADULT 20-64 YEARS OF AGE	\$9.00	\$12.00	\$24.00	\$5.02	\$5.65	\$11.30	\$4.71	\$5.30	\$10.60
STUDENT 13-19 YEARS OF AGE or POST-SECONDARY STUDENT WITH VALID GO TRANSIT ID*	\$9.00	\$12.00	\$24.00	\$4.61	\$5.65	\$11.30	\$4.33	\$5.30	\$10.60
SENIOR 65+ YEARS OF AGE	\$5.64	\$6.00	\$12.00	\$2.68	\$2.85	\$5.70	\$2.51	\$2.65	\$5.30
CHILD 12 YEARS OF AGE AND UNDER	FREE	FREE	FREE	FREE	FREE	FREE	FREE	FREE	FREE
FAMILY 2 ADULTS AND UP TO 3 CHILDREN 19 YEARS OF AGE AND UNDER	-	\$25.00	-	-	\$12.00	-	-	\$11.00	-
MEETER & GREETER RETURN	-	-	\$12.00	-	-	\$5.65	-	-	\$5.30
LONG LAYOVER RETURN	-	-	\$12.00	-	-	-	-	-	-
FAMILY MEETER & GREETER RETURN	-	-	\$25.00	-	-	\$12.00	-	-	\$11.00
FAMILY LONG LAYOVER RETURN	-	-	\$25.00	-	-	-	-	-	-

Note: Making these fare changes require adjustments to various systems. In the period from today to March 9th, while Metrolinx implements these fare changes, management proposes to provide those who purchase UP Express tickets during this time with a voucher for a complimentary ride in the future.

The new fare strategy is designed to:

- Increase ridership by attracting more customers to the UP Express service;
- Simplify the fare structure, by aligning fares to the number of stops a passenger travels;
- Promote PRESTO card usage;
- Address the perception that fares are too high; and
- Provide additional transportation options between downtown Toronto and communities served by UP Express.

Central to this new fare strategy is that by reducing UP Express fares, including aligning fares to GO Transit levels for travel between Union Station, Bloor Station and Weston station, we will provide a significant incentive for more people to try it and then to build it into their regular travel routines.

The revised fare structure will increase the ridership on UP Express. The extent that ridership will grow is a function of not just the fare structure, but the success of the strategies put in place to increase awareness of the service, change ingrained travel habits and improve wayfinding to/from the service. In addition, the model used to forecast ridership has proven to be not as reliable as expected. Metrolinx is developing a new model that takes into account the experience of the past nine months of service.

The Metrolinx objective is to increase ridership as quickly as possible, to the average of 5,000 daily customers and beyond. As staff understands more on how the market responds to the new fare structure, along with other measures we are implementing, management will report to the Board on updated results.

Revenue forecasts will also need to be revised as the updated tools become available. While increased ridership will bring additional revenue, total revenue in the short term is expected to be lower than existing total revenue. This is due to the fact that customers already using the system will also have access to the new, reduced fares. A fare reduction of the nature recommended will delay the objective of having the service recover its full operating costs. However, management believes it is more important in the short term to increase ridership on the service. As ridership grows and available capacity is constrained due to the physical limitations of the service, Metrolinx can review the fare structure at a future date.

Marketing & Awareness

As outlined earlier, in addition to changing the fare structure, other strategies need to be implemented in order to grow ridership. With any new service, it takes time to build ridership, and behaviour patterns are particularly challenging to predict and alter. Through research, Metrolinx has identified the following four barriers to using the service:

1. Overall ***awareness*** of the service is low in particular with inbound travellers.
2. ***Navigating to UP Express*** at both Union Station and Pearson Airport continues to be a challenge.
3. ***Perception that pricing is high***, even among those people who do not know what the price is.
4. ***Changing habits*** from taking other modes of ground transportation to the airport is more challenging than expected.

With the identification of these barriers and the introduction of a new pricing strategy, Metrolinx will begin to implement an updated marketing and communications strategy with strong and sustained outreach designed to directly address these barriers to using the service. The tactics will target core markets including in-bound and out-bound business and leisure travellers who are not accustomed to using a rail service into and out of Toronto Pearson. In addition, given the significant

need to build awareness and change ground transportation habits, our activities will also target local communities along the corridor, and businesses with high travel volumes.

MARKETING & COMMUNICATIONS TACTICS	
PRE- & POST JOURNEY	AT AIRPORT & INFLIGHT
Continued targeted communications to core areas within the catchment area to build awareness amongst target ridership groups and promote new pricing structure	Service and Sales kiosks at key locations in Toronto Pearson, in order to build awareness, sell tickets directly to arriving passengers, and support navigating to the station at Terminal 1
Digital Online campaign including social media, to build awareness and intercept the decision making habits of the 70% of travellers who make their ground transportation decision prior to departing	Pilot an Airport Engagement Program at key domestic airports (e.g: Montreal) with high volume in-bound Toronto flights. This will build awareness and support advance purchase of UP Express tickets (eg: Buy before you Fly).
Leverage GO Transit Assets , including in-station & in-train posters, various customer communication channels, to promote awareness and target commuter travellers in the catchment areas	More targeted advertising Toronto Pearson Airport in high volume passenger corridors in order to build awareness, promote new pricing structure, and interrupt engrained ground transportation habits
Direct Outreach and Engagement with area hotels within walking distance of Union Station in order to build awareness and incentivize people to try the service	In-flight ticket sales on high-volume in-bound flights in order to build awareness of the new pricing structure, promote the service and make UP Express a viable ground transportation choice



A Division of METROLINX

In addition to building awareness, we are also working to mitigate other barriers identified as inhibiting trial. This includes working with our partners to improve way-finding at Union Station and Pearson Airport, and developing strategies to mitigate customer concerns about first and last mile connections as a way of helping to address long-standing habits around ground transportation.



**Examples of exterior and interior signage.*

**Pictures are for illustrative purposes only. Subject to approvals*

Conclusion

UP Express was built on time and on budget, and is delivering a high level of service that customers appreciate. The changes proposed in the fare structure will benefit both air travellers and local residents who wish to travel between Union Station and Bloor/Weston stations. Metrolinx is closely evaluating the impacts of the new fare structure and are working with the Province on the funding strategy.

Respectfully submitted,

Kathy Haley
President, UP Express