

**To:** Metrolinx Board of Directors  
**From:** Kathy Haley, President, Union Pearson Express  
**Date:** December 11, 2014  
**Re:** **UP Express Pricing Strategy Staff Report**

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## **1. Executive Summary**

With the launch of Union Pearson (UP) Express in spring 2015, Toronto will join the ranks of other world class cities with an express rail service between downtown and the airport. UP Express will provide travellers with a fast, simple route that takes 25 minutes, and departs every 15 minutes for 19.5 hours a day.

To inform the fare structure, research and analysis was completed on market trends and passenger demographics, as well as benchmarking against local and international transportation modes. UP Express has developed a fare structure based on the principles of *Distance* (fare by distance), *Discounts* (to build ridership), and *Demand* (ensuring enough ridership).

The proposed UP Express one-way adult fare from Union Station and Toronto Pearson is \$19 with the PRESTO card or \$27.50 fare without the PRESTO card. Staff are proposing discounted prices for families, children, students, seniors, and airport employees who have a valid Toronto Pearson identification card. The proposed fare structure builds in the elimination of the \$1.85 access fee originally required by the Greater Toronto Airports Authority (GTAA).

## **2. Recommendation**

Be it Resolved that:

The Board of Directors approve the recommended fare structures as presented by UP Express on December 11, 2014.

## **3. Project Background**

Toronto's dedicated Air Rail Link (ARL), the Union Pearson (UP) Express, is launching in spring 2015 and will be owned and operated by Metrolinx. The project is currently on-time and on-budget, and when launched it will run between Canada's two busiest passenger transport hubs – Union Station in downtown Toronto and the Toronto Pearson International Airport (Toronto Pearson). There will be two stops along the way: Bloor and Weston Stations.

The key feature of UP Express is that it will be a dedicated ARL catering primarily to those people travelling to and from the airport. Unlike a commuter transit line (e.g. Vancouver's TransLink), which has a stop at the airport, a dedicated ARL provides specialized services and amenities designed for air travellers. UP Express will have comfortable seating, airline check-in kiosks, luggage racks, onboard WiFi and up-to-the-minute flight information. These services set it apart from a commuter service.

### Exhibit 1: Comparison of ARLs vs. Commuter Rail Services

Among ~224 rail links to 175 airports around the world, leading global ARLs were used as benchmarks to inform UP Express' strategy	
Dedicated Air Rail Links	Other Commuter and Metro Trains
 <p><i>Leading ARLs are characterized by fast, convenient, comfortable service, often providing valued amenities, services and focus on the end-to-end customer experience</i></p>	 <p><i>Commuter trains that provide services between city centres and airports tend to be slower, with more frequent stops and fewer amenities.</i></p>
<p><b>Fast</b></p> <ul style="list-style-type: none"> <li>Tend to be high speed trains that move at a faster average speed than most commuter trains</li> </ul>	<p><b>Affordable</b></p> <ul style="list-style-type: none"> <li>Usually cheaper than differentiated ARLs</li> <li>Often associated with / part of a city's public transit system</li> </ul>
<p><b>Convenient</b></p> <ul style="list-style-type: none"> <li>Direct and reliable service to and from airport terminals to downtown city centre locations</li> <li>Minimal stops</li> </ul>	<p><b>Slower</b></p> <ul style="list-style-type: none"> <li>Slower average train speed and more frequent stops</li> <li>Often requires riders to switch train lines, or transportation modes (e.g., bus, airport shuttle)</li> </ul>
<p><b>Comfortable</b></p> <ul style="list-style-type: none"> <li>Heightened levels of comfort for travellers (e.g., more spacious, comfortable seating, luggage storage on trains)</li> </ul>	<p><b>Less Comfortable</b></p> <ul style="list-style-type: none"> <li>Crowded in peak periods (e.g., standing room)</li> <li>Usually no designated areas to stow luggage</li> </ul>
<p><b>Amenities</b></p> <ul style="list-style-type: none"> <li>Wide array of amenities available (e.g., WiFi, television screens display weather and news, Flight Information Displays, onboard washrooms, check-in kiosks )</li> </ul>	<p><b>Lack of Amenities</b></p> <ul style="list-style-type: none"> <li>Few to no amenities onboard</li> <li>Primarily in the service of transporting people from station to station</li> </ul>

### 4. Fare Principles

In establishing a fare for UP Express, staff were guided by the following principles:

- **Build Ridership:** Fares should be customized to reflect travellers' needs and build ridership as customers recognize the fast and reliable service. The goal is to allow ridership to grow as close to 100% utilization in peak periods as possible.
- **Reduce Car Use To/From Toronto Pearson:** Fares should be competitively priced with transportation alternatives between downtown and Toronto Pearson. Riders who are looking for reliable, frequent transportation to or from the airport should recognize that UP Express is a more appealing option than the alternatives, particularly in high-traffic times. UP Express should reduce car trips, benefitting both road congestion and the environment.
- **Various Fare Products:** Committed to providing variable fare products based on the travellers' needs. Fare products vary by factors such as method of payment, the age of travellers, the number of riders travelling together and the volume of tickets being purchased.
- **Fare by Distance:** Fares should vary depending on the distance travelled to and from the airport, with shorter distances costing less than longer distances.
- **Recovery of Operating Costs:** Subject to ridership at launch, the business plan should assume fare box recovery in three to five years.

### 5. Research & Analysis

An evidenced-based approach was used to model and develop the proposed fare structure for UP Express. Research and analysis included seeking expert opinions on ridership, applying technical excellence in forecasting, and benchmarking international and local best practices. Expert opinions provided a fulsome perspective on the numbers and types of riders that UP Express could expect. This included testing the ridership projections at various price points and by types of fare products.

International and local benchmarking validated and informed the recommended the fare products and customer expectations for a dedicated ARL service.

## RIDERSHIP & MARKET DEMAND RESEARCH

In 2009, research was conducted in order to forecast ridership and market demand. When Metrolinx became the project sponsor in 2010, it commissioned additional research to update these forecasts under a number of new operating assumptions related to population, employment growth and competing modes. This research also used the latest passenger growth data from Toronto Pearson. A similar update was conducted in 2013.

### In-scope Demand

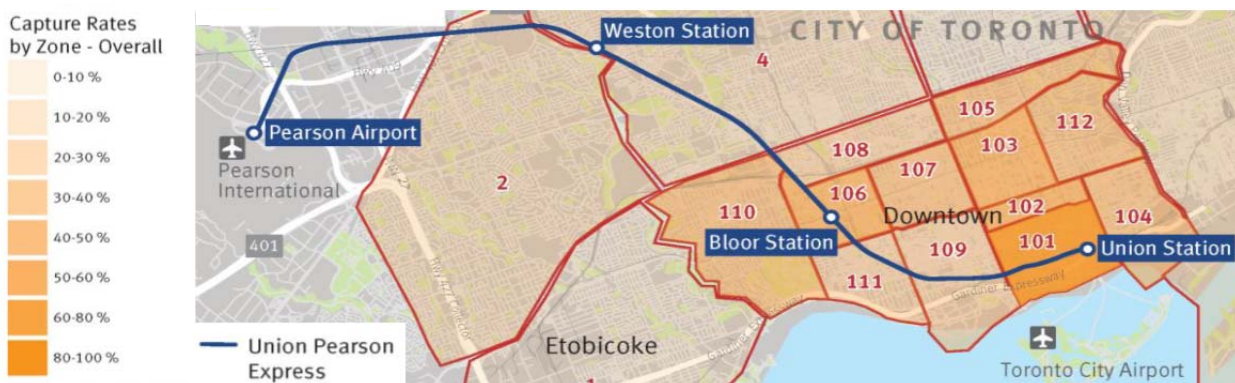
The forecasting methodology used was based on a framework widely accepted throughout the transportation industry. This approach is commonly used to estimate potential demand for toll roads, urban transit systems and rail networks. It relies on answering two significant questions:

- **In-scope market:** How much of the total travel market between the airport and the Greater Toronto Hamilton Area (GTHA) can reasonably be attracted to the UP Express?
- **Traffic capture:** How much of this in-scope travel can actually be captured?

Independent air traffic forecasts for Toronto Pearson were developed by first forecasting the air traffic growth for the GTHA, and then separating out the Toronto Pearson passengers from those of Billy Bishop City Airport and Hamilton Airport. By identifying the air traffic at Toronto Pearson, expert researchers were able to identify the size of the in-scope market both in the opening year and into the future.

The in-scope demand in 2020 is projected to be 11.9 million. Of the 11.9 million, the capture rates of passengers who could potentially be diverted to use the service for airport travel were determined. Passenger demand for UP Express varies across different areas of Toronto (see Exhibit 2). The highest numbers are sourced from the downtown areas, and in particular, the area closest to Union Station, where the UP Express station can be accessed by foot. For the area immediately around Union Station (zone 101), 60% of the overall in-scope market is captured by the UP Express. The downtown area (zones 101 to 112) accounts for 73% of the forecast demand for the UP Express.

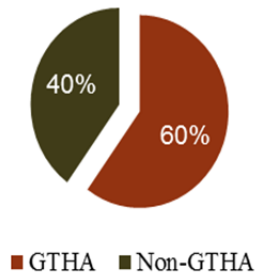
**Exhibit 2: Capture Rates by Area in Downtown Toronto**



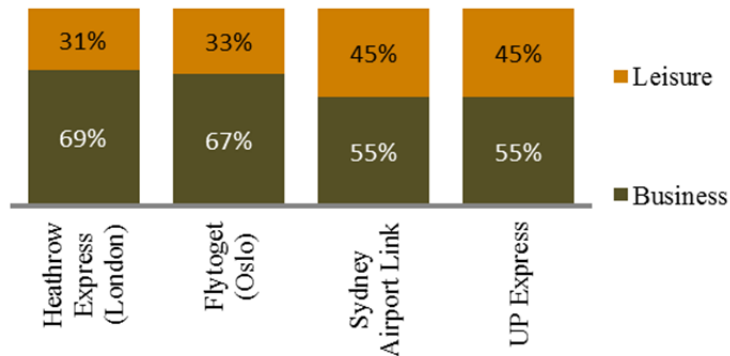
**Ridership Profiles**

From this analysis, the type of riders that would potentially use the service were identified, which in turn would help determine the number and range of fare products

**Exhibit 3: Residential Split**



**Exhibit 4: ARL Ridership Demographics**



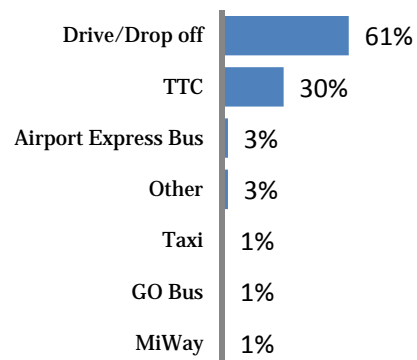
In addition, UP Express studied global ARLs and learned that their actual ridership profiles were similar to these projections. For example, Heather Express’ customer profile is 69% business and 31% leisure. Further, Flytoget’s customer profile is 67% business and 33% leisure.

From these ridership profiles a variety of customized fare products were explored, including:

- A. **Fare Class Concessions:** offering various discounts to seniors, students, families, and children. UP Express has benchmarked these concessions against other global ARLs and local services, and proposes to follow general discounting precedents that have been set.
- B. **PRESTO Cardholders:** offering a special discount on UP Express to build local ridership and support seamless travel across the region. The PRESTO regional fare card system currently offers discounts to frequent users across a wide variety of transit service providers in the GTHA and Ottawa.
- C. **Airport Employee Discount:** for those who have a valid Toronto Pearson identification card. This group represents a strong user market for UP Express in that their projected frequency of usage is significantly greater than the average airport traveller.

In 2013, an in-depth research report on airport employee commuter habits was conducted. Much of this research was focused on understanding airport employee price sensitivity. Findings revealed that the majority of airport employees drive to work with many having to also pay for parking. UP Express was shown to be an attractive alternative to driving as it would be significantly faster during rush hour to and

**Exhibit 5: Airport Employee Main Method of Travel To/From Pearson**





from downtown Toronto.

It is also best practice to provide discounts to airport employees. UP Express examined global dedicated ARLs and found that the majority of them offer some form of airport employee discount program. Thus it is being recommended that UP Express provide a heavily discounted rate to airport employees.

- D. **Volume-Based Fares:** offering a dedicated program in order to cater to high volume customers. This program would offer discounts to corporate partners, access to travel management software, and support from a dedicated business development team. UP Express projects that these focused activities will lead to increased ridership.
- E. **Meeters and Greeters Fare:** will allow customers to travel to the airport and back for the price of a one-way fare (within a three hour window). This fare product is anticipated to attract additional ridership and revenue.
- F. **Long Layover Fare:** offering a discount to connecting passengers looking to see the city while waiting for their next flight. This will allow riders to travel from Toronto Pearson to downtown and back in the same day (six hour window) for a reduced fare. Based on research information provided by the GTAA, and best practice research with other ARLs, this fare product is anticipated to attract new ridership and revenue to a small segment of travellers that would otherwise not leave the airport while on layover.

### **Ridership Ramp Up**

Research and experiences in other jurisdictions showed that a new service will take time to build ridership from its initial launch. As is typical with any new start-up project, staff expect 65% of the total mature ridership in the first year of operation. Further, UP Express is projected to reach ridership maturity three years after service launch (by 2018). Three year ramp-up assumptions are a common assumption in transportation modelling given the time it takes for awareness to build and for travellers to shift from their previous modes. However, recent studies have shown that if there is heightened anticipation for this service, the ramp up period may be accelerated and ridership may reach maturity sooner than projected.

### **PRICE SENSITIVITY & MODELLING**

In May 2012, UP Express independently tested the price sensitivity of potential riders. Findings aligned closely with the 2011 ridership forecast. UP Express modelled various price points for the proposed fare products in order to determine the appropriate prices that will be offered at launch. While the ridership forecasting provided insight to various price modelling exercises, price modelling and product analysis was further informed by capacity constraints, such as the layout of the train and frequency of the service.

UP Express then examined the ridership impact related to new fare products, various price points and concession discounts. New fare products include round trip discounts, senior/student/child/family concessions, volume discounts, the airport employee discount program






and Meeter & Greeter/Long Layover fare types. Some of these fare products and fare class concessions provide opportunities to attract new markets and build ridership.

UP Express used the pricing and ridership forecasting research in order to model the financial impacts associated with various fare prices that would impact fare box recovery. Financial forecasting was developed by examining elasticity by station which provided baseline ridership and revenue estimates across. From there, the financial impact associated with offering concessions and new fare products was taken into consideration.

### LOCAL & INTERNATIONAL BEST PRACTICES

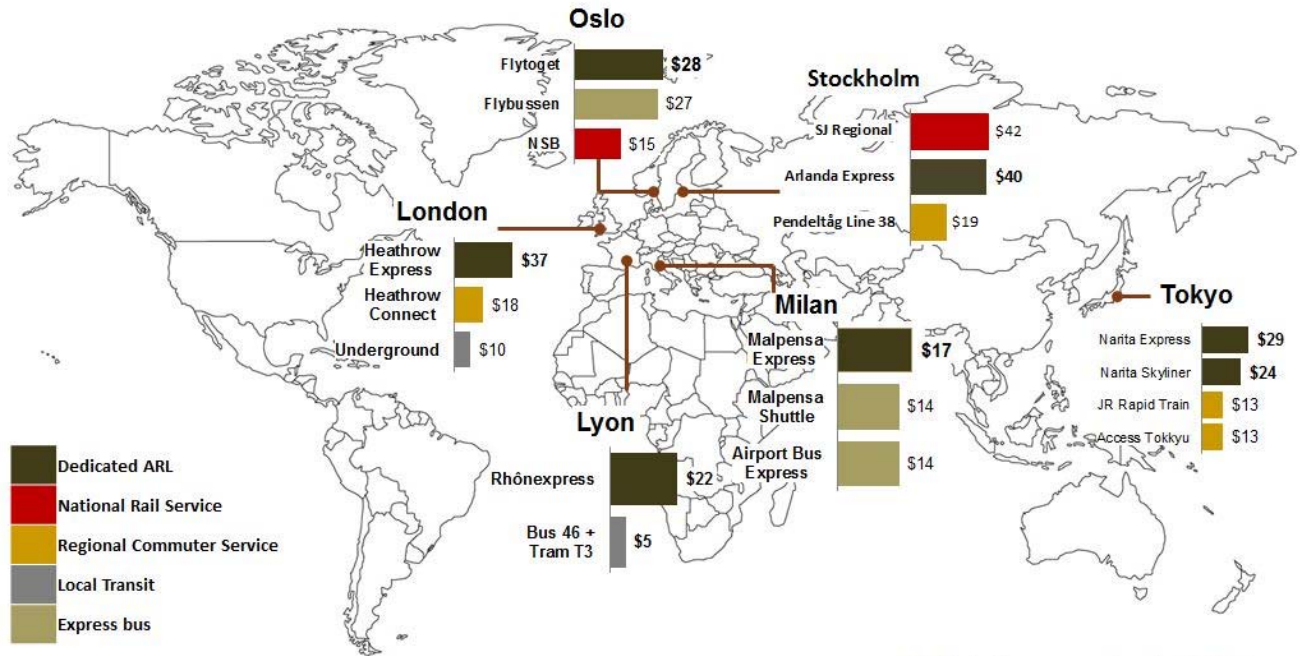
UP Express will be one more option to get to and from Toronto Pearson. A comparison of other local airport transportation services was conducted to understand current market fares, service offerings, and approximate travel times. This was used to help inform UP Express' fare structure.

**Exhibit 6: Comparison of Transportation Options To/From Toronto Pearson**

	Service	Fare	Benefits	Limitations	Duration
	<b>Limo</b>	~\$70	<ul style="list-style-type: none"> <li>• Door-to-door service</li> <li>• Comfortable spacious seating</li> <li>• Assistance with baggage</li> </ul>	<ul style="list-style-type: none"> <li>• Traffic</li> </ul>	<ul style="list-style-type: none"> <li>• 45-60 minutes</li> <li>• +10min wait time</li> <li>• On demand</li> </ul>
	<b>Taxi</b>	~\$60	<ul style="list-style-type: none"> <li>• Door-to-door service</li> <li>• Assistance with baggage</li> </ul>	<ul style="list-style-type: none"> <li>• Traffic</li> </ul>	<ul style="list-style-type: none"> <li>• 45-60 minutes</li> <li>• +10 minute wait</li> <li>• On demand</li> </ul>
	<b>Airport Express</b> (Ceased operations Oct. 2014)	~\$28	<ul style="list-style-type: none"> <li>• Affordable alternative to a taxi</li> <li>• Comfortable seating</li> <li>• Wi-Fi, laptop plug ins</li> <li>• Onboard washroom</li> </ul>	<ul style="list-style-type: none"> <li>• Unpredictable</li> <li>• Limited frequency</li> <li>• Multiple hotel stops</li> </ul>	<ul style="list-style-type: none"> <li>• 45-60 minutes</li> <li>• 40-60 minute frequency</li> </ul>
	<b>GO bus and TTC subway</b> (Regional Commuter + Local Transit)	~\$8	<ul style="list-style-type: none"> <li>• Frequent subway departure</li> <li>• Customers can use existing passes</li> </ul>	<ul style="list-style-type: none"> <li>• Traffic</li> <li>• Limited frequency of bus</li> <li>• Multiple stops</li> </ul>	<ul style="list-style-type: none"> <li>• 45-60 minutes</li> <li>• 60 minute frequency</li> </ul>
	<b>TTC</b> (Local Transit)	~\$3	<ul style="list-style-type: none"> <li>• Frequent train and bus departure</li> <li>• Customers can use existing passes</li> </ul>	<ul style="list-style-type: none"> <li>• Traffic</li> <li>• Multiple stops</li> <li>• Limited comfort</li> </ul>	<ul style="list-style-type: none"> <li>• 75-90 minutes</li> <li>• 10 minute frequency</li> </ul>

UP Express also benchmarked prices and fare types against other worldwide ARLs and transit services that travel to the airport. Similar to UP Express, global dedicated ARLs around the world offer one additional option to travel to and from city airports.

**Exhibit 7: Global ARLs & Other Modes of Transportation Prices**



For illustrative purposes only and subject to change. To obtain latest fare information, always check with local provider

\*All fares have been converted to CAD \$ using November 20, 2014 exchange rates

**6. Fare Recommendations**

UP Express has designed fares and fare products to be intuitive, convenient, and seamless. Fare products cater to meet the needs of both all travellers. This section of the report will discuss the general fare products, volume-based fare products, and special fare products, in addition to the various price points and UP Express will offer come service launch.

**GENERAL FARE PRODUCTS**

The UP Express fare structure includes a range of discounted prices for travellers including residents, families, children, airport employees and for passengers getting on/off at Bloor and Weston. At the launch of UP Express, the one-way adult fare between Union Station and Toronto Pearson is proposed to be \$19.00 with a PRESTO card, or \$27.50 fare without the PRESTO card.

The following are the fare products that are proposed to be offered on UP Express:

Category	Definition	Discounts	Requirements
Adult	Riders who are between the ages of 20 and 64, and do not qualify for discounted fares	Regular fare	Must provide Proof of Age Identification upon request.
Child	Riders who are between the ages of 6 and 12 years	50% discount from Adult fare	
Minor	Riders under the age of 6	Free	
Student	Riders who are between the ages of 13 and 19 years	15% discount from Adult fare	Available online/mobile, paper tickets at the stations or via PRESTO.
Senior	Riders over age of 65		
Family	Up to two riders 18 years of age or over with up to three riders under the age of 18	Up to 56% discount	Only available online/mobile and paper tickets at the stations. Not available via PRESTO
Meeter & Greeter	Return trip within three hours originating from Union, Bloor or Weston stations	~50% discount off the price of Adult round-trip fare	Must use a return ticket within three hours of initial validation. Available for tickets purchased online only.
Long Layover	Return trip within six hours originating from Toronto Pearson		Must use a return ticket within six hours of initial validation. Available for tickets purchased online only.
Round Trip	Return trip for adult, child, student or senior	~4% discount off of two one-way tickets	Available for tickets purchased online only.

The following table includes fares based upon distance:

FARE STRUCTURE						
	UNION		BLOOR		WESTON	
	PRESTO	WITHOUT PRESTO	PRESTO	WITHOUT PRESTO	PRESTO	WITHOUT PRESTO
<b>ADULT</b> 20-64 YEARS OF AGE	\$19.00	\$27.50	\$15.20	\$22.00	\$11.40	\$16.50
<b>STUDENT</b> 13-19 YEARS OF AGE	\$16.15	\$23.40	\$12.90	\$18.70	\$9.70	\$14.05
<b>SENIOR</b> 65+ YEARS OF AGE	\$16.15	\$23.40	\$12.90	\$18.70	\$9.70	\$14.05
<b>CHILD</b> 6-12 YEARS OF AGE	\$9.50	\$13.75	\$7.60	\$11.00	\$5.70	\$8.25
<b>FAMILY</b> 2 ADULTS AND UP TO 3 CHILDREN UNDER AGE 18	N/A	\$55.00	N/A	\$44.00	N/A	\$33.00

### VOLUME BASED FARES

The proposed fares in this category provide a discount for airport employees and other volume-based fares designed for group travel. Qualified airport employees will receive deep discounts, such as a



one-way fare of only \$10 between Union Station and Toronto Pearson. (That’s half the PRESTO card price for an adult fare.) Qualified airport employees who need to use UP Express more frequently will also be eligible for an unlimited monthly pass for only \$300. For the person who travels to work and back five days a week, this will average only \$7.50 each way - that’s 60% off the PRESTO card price for an adult fare. The monthly pass may also qualify for the transit tax credit, just as the TTC Metropass does. This will mean even more savings for qualified airport employees. UP Express is planning to continue discussions with unionized airport employees as well as the GTAA on how best to implement and continue to improve the UP Express airport employee program.

The group travel rates are still being determined, but are expected to appeal to organizations that have considerable business travel (e.g., the GTHA region is the third largest North American financial services centre after New York and Chicago). They will also be available to travel aggregators/agencies who include UP Express in their offering to hospitality and tourism events including conventions.

Category	Definition	Discounts	Requirements
Airport Employees	Single Ride (from all stations)	\$10/ride	Must have a valid Toronto Pearson identification card.
	Monthly Unlimited Travel (from all stations)	\$300/month	
Corporate and Group Tickets	Eligibility requirements to be confirmed	Pricing to be determined	Must contact UP Express in advance of their trip and/or register online at <a href="http://www.upexpress.com">www.upexpress.com</a> and purchase group tickets and/or corporate tickets sales.

A user friendly format of the fare structure will be developed and published on UP Express’ website to help people plan their trip at time of launch.

## 7. Conclusion

The spring 2015 launch of UP Express, brings a much-discussed and long-planned project to reality. Residents and tourists will be able to see that Toronto has joined the rank of work class cities by providing a direct fast link to the airport. Recent research showed that support for UP Express is high at over 90%.

Given that this is a new service entering the marketplace, the first year in particular will be focused on monitoring the effectiveness and performance of ridership and revenue targets, and calibration may be required to respond to travellers’ feedback and needs. More specifically, UP Express will be investigating additional first and last mile initiatives, which includes looking into establishing fare integration arrangements with GO Transit and the Toronto Transit Commission. This endeavour complements Metrolinx’s objective to provide and encourage access to the UP Express system through a wide array of travel modes. Metrolinx has held discussions with stakeholder groups, most notably a December 4, 2014 meeting with the “Our UP Express Coalition”, which includes the

Airport Council of Unions (ACU), TTCriders, Clean Train Coalition, Greater Toronto Workers Assembly and Mount Dennis Community Association. These discussions have covered questions related to public input into pricing decisions, the requirement for UP Express to develop self-financing capability, the differences between ARLs and commuter services, Metrolinx's commitment to flexible fares (including fare-by-distance and reduced fares for frequent users such as qualified airport workers), and potential future integration of UP Express with public transit services and the need for more commuter services such as Regional Express Rail. Staff took this feedback into consideration for the fare structure recommendation in this report. UP Express will also investigate additional post-launch initiatives, such as establishing fare integration with GO Transit and the Toronto Transit Commission. Metrolinx has committed to continue a dialogue with stakeholder groups, such as airport workers, on the implementation of fare products and other opportunities.

Given that UP Express is a new service entering the marketplace, staff will continue to monitor the effectiveness and performance of the service and fare structure to ensure that we are meeting the needs of our travellers.

Respectfully submitted,

Kathy Haley  
President, UP Express