



# On The Right Track: Continuous Improvement In P3 Delivery

BMO Capital Markets Infrastructure & Utilities Conference

January 29, 2009

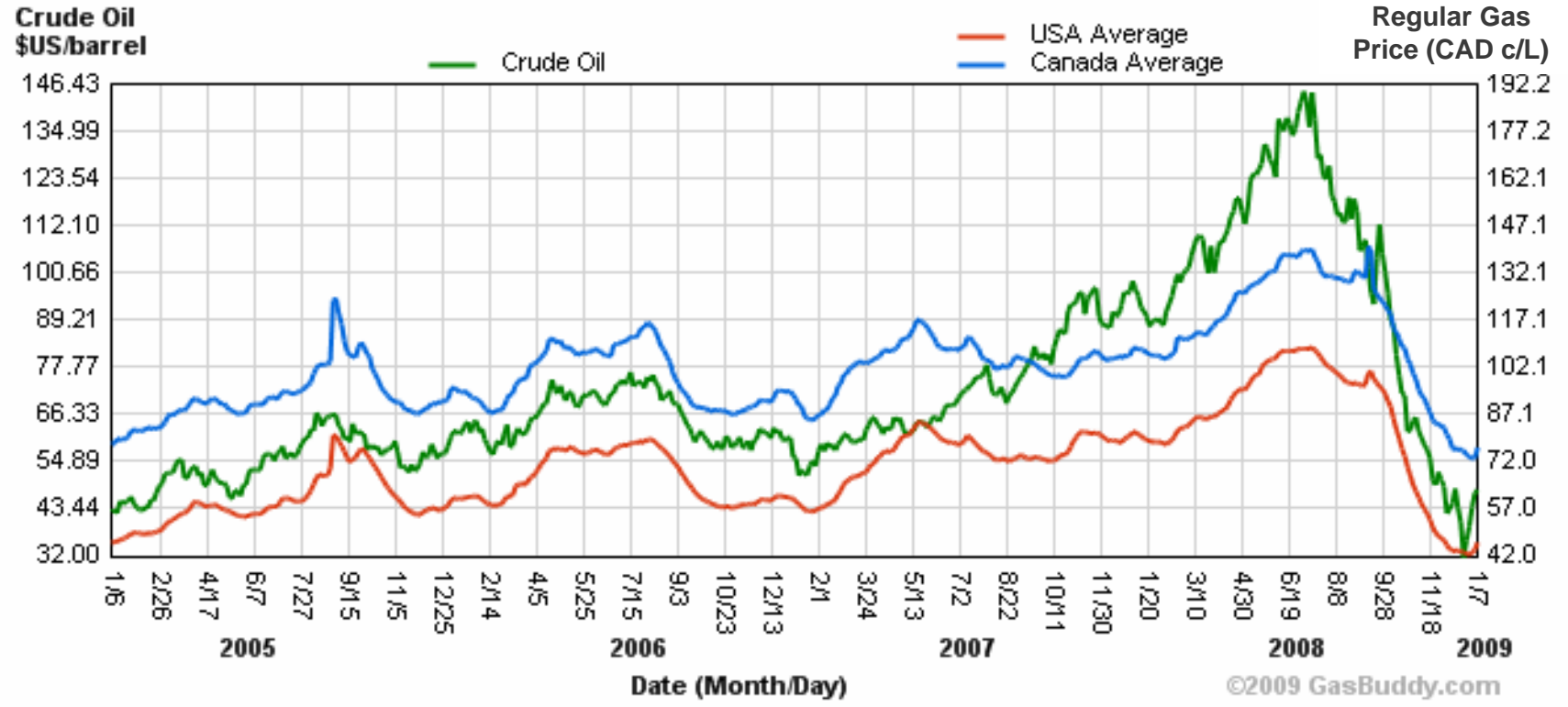
- » This presentation has been prepared by 407 ETR.
- » The financial information presented is taken from quarterly and year-end statistics that have been disclosed publicly over 2006, 2007 and 2008.
- » All financial amounts are shown in Canadian dollars unless otherwise indicated.
- » Additional information relating to 407 ETR and or 407 International, including the 2007 Annual Information Form dated January 31, 2008, can be accessed on SEDAR.
- » The statements about expected future events and financial and operating results are forward-looking. Forward-looking statements may include words such as anticipate, believe, could, expect, goal, intend, may, outlook, plan, strive, target and will. These statements reflect internal projections, expectations, future growth, performance and business prospects and opportunities, and, as they are subject to a number of risks and uncertainties, you are cautioned not to put undue reliance upon such statements as they may differ from actual results and developments.

- » Current Global Economic Challenges
- » Implications for 407 ETR
- » 2009 Toll Rate Changes
- » Recent and Planned Infrastructure Improvements
- » Key Financial Measures
- » Key Operational Measures
- » Continued Customer Service Improvements
- » Continued Efficiency Improvements

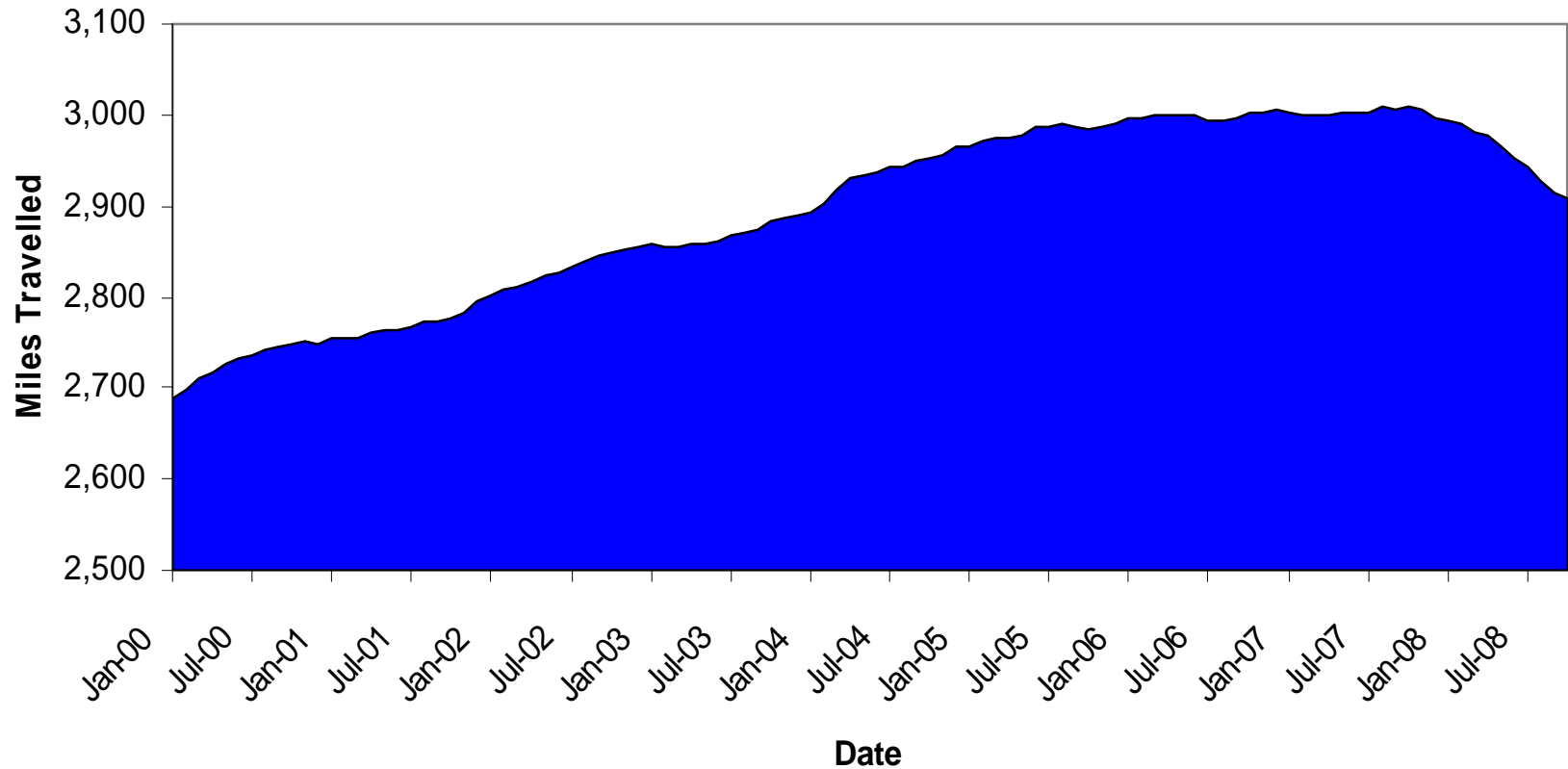
# GLOBAL ECONOMIC CHALLENGES



## 48 Month Average Retail Price Chart



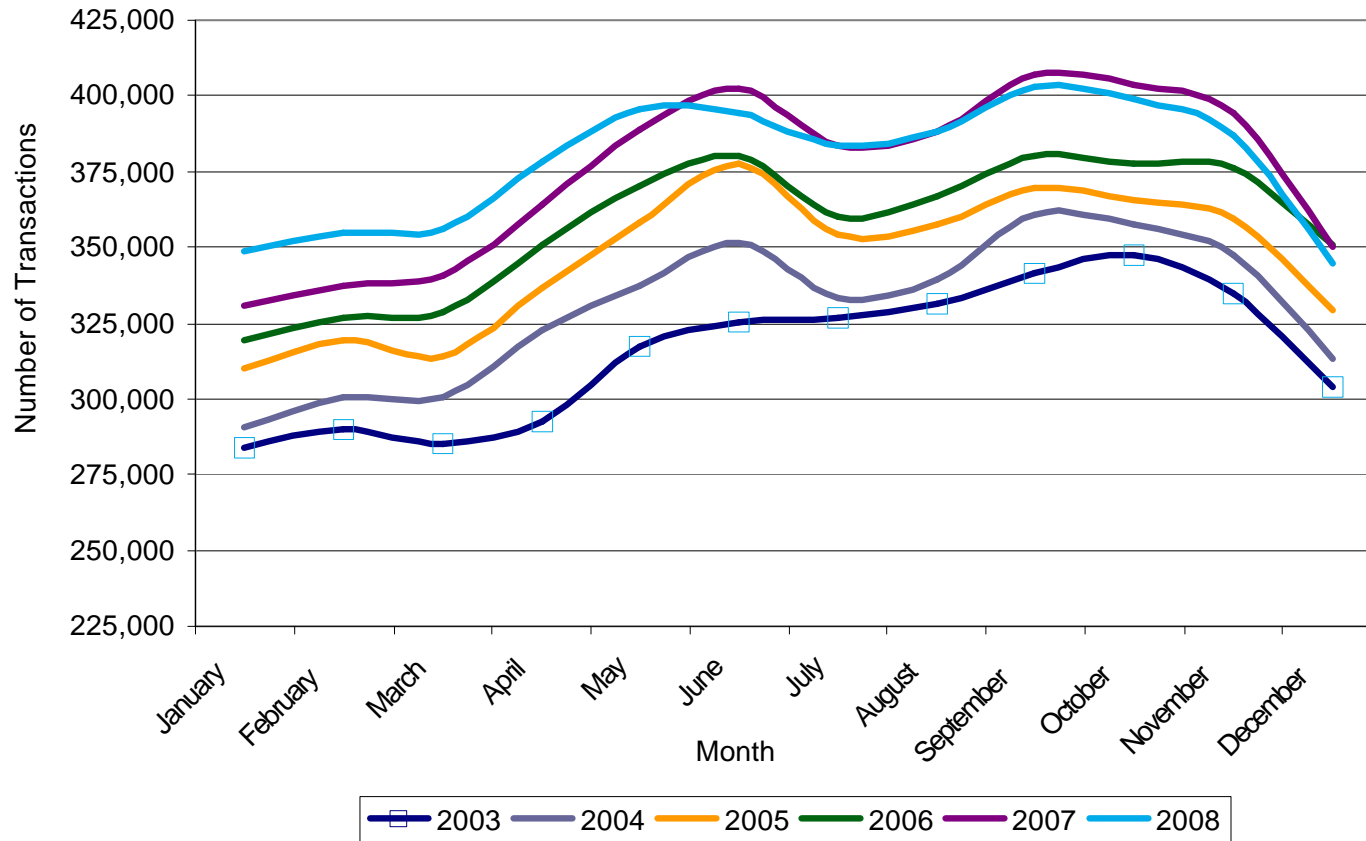
## Monthly US Traffic 2000 to 2008



- » Impact of economy and gas prices being felt on toll roads around the world
  - » Foothill/Eastern Tollroads (Cal.) down 7% in Q4
  - » Chicago Skyway down 9.2% in Q4
  - » M6 Toll (UK) down 11.5% in Q4
  - » Indiana Toll Road down 16.4% in Q4
  - » Public Border Operators Association (11 border crossings in the Great Lakes/St. Lawrence area) down 12.4% in Q4
    - » Including Ambassador Bridge down 22.9% in November and 19.3 % in December 08
- » While 407 ETR has been affected by the economy and poor weather, the economic impact has not been as dramatic as other concessions
  - » 407 ETR Q4 traffic down 1.5%

## Average Workday Trips

Weekday Trips by Month





- » Demand for 407 ETR is still relatively strong, especially:
  - » In peak hours
  - » Among customers with transponders
  - » In specific sections (“zones”) of the highway
- » However, in mid- to late-2008, we started to experience:
  - » Less off-peak travel
  - » Less travel by video users
  - » Shorter trips – particularly by video users
  - » Differing demand in different sections
  - » Truck traffic down on all routes
  - » As a result of Plate Denial, some customers are no longer using our highway
- » Contract provides flexibility to manage traffic volumes
- » 2009 toll rates use different tools to address these issues

# ZONE TOLLING CHANGES



2008 – Three zones with two price levels

2009 – Two zones with two price levels



# PEAK VERSUS OFF-PEAK PRICING



**Highest Peak Rate to increase by 3.1%  
from 19.25 to 19.85**

**Off-Peak Rate will be held at 2008  
levels (i.e. 18.00 cents/km)**



- » Introduction of a new Trip Toll Charge
  - » Charged for every trip on the highway
  - » Based on vehicle size:
    - » 25 cents for light vehicles
    - » 50 cents for heavy vehicles
    - » 75 cents for heavy multiple vehicles
  
- » Trip Toll Charge will:
  - » Offset decreases in average trip length
  - » Reduce congestion caused by short trips
  - » Increase revenue opportunities

# TARGETED FEE REDUCTIONS



**Video Toll Charge**  
reduced from \$3.60  
to \$3.25.



**Monthly  
Transponder  
Lease Fee**  
reduced from  
\$2.55 to \$2.50.



**Video Account Fee**  
reduced from \$2.55  
to \$2.50.

# SUMMARY OF TOLL RATE CHANGES

- ✓ Continues the use of Zone Tolling
- ✓ Increases difference between Peak & Off-Peak pricing
- ✓ Uses new levers available under the contract, including the new Trip Toll Charge
- ✓ Targeted reductions to fees to influence usage

***We are fine-tuning our tolling structure, using the flexibility available in the contract to maximize value.***

***407 ETR has invested over \$1.1 billion since 1999!***





**2 + 2 Lanes**

**1 + 1 Lanes**

**2 + 2 Lanes**

**2 + 2 Lanes**

**3 + 3 Lanes**

**New Lanes Added By 407 ETR**  
➤ 420 new lane kilometres  
➤ 74 new ramps



## LEVEL OF SERVICE IMPROVEMENTS

AM Peak Hour Level-of-Service (LOS)  
Average Weekday – May 2005



AM Peak Hour Level-of-Service (LOS)  
Average Weekday – May 2008



PM Peak Hour Level-of-Service (LOS)  
Average Weekday – May 2005



PM Peak Hour Level-of-Service (LOS)  
Average Weekday – May 2008



» \$70 million of planned highway construction spending in 2009

## 1. E1 New Lanes:

» Addition of one new lane in each direction between Markham and York Durham Line

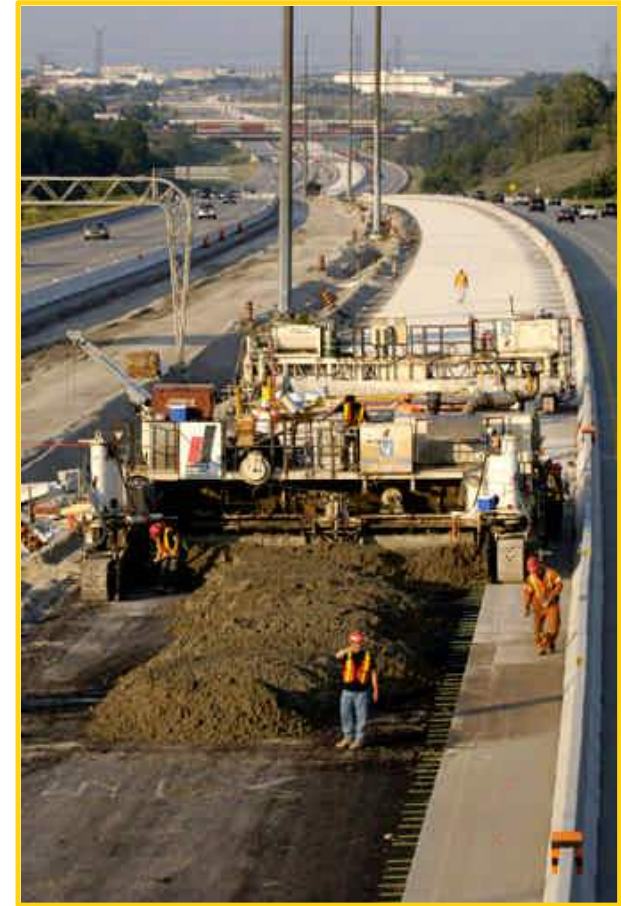
## 2. C7 Structures (404 to Markham):

» Widening bridges in preparation for new lanes in 2010

## 3. 401 Structures:

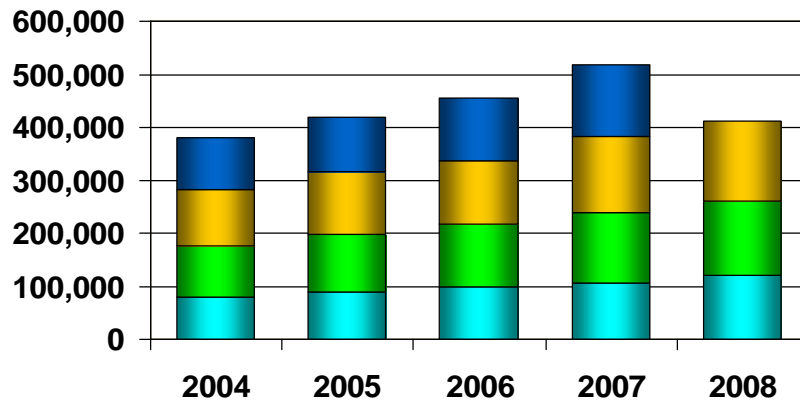
» Widening of both the EB and WB bridge structures at the 401/407 interchange

» A very complicated project in 2009 and 2010 to allow new lanes in 2011

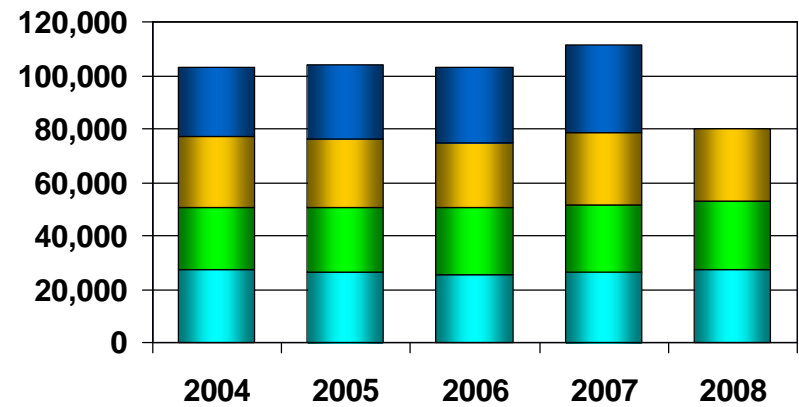


# KEY FINANCIAL MEASURES

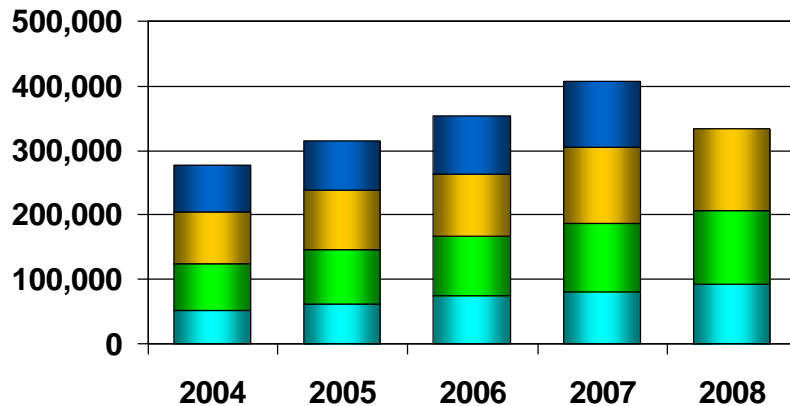
## Revenues (in \$000's)



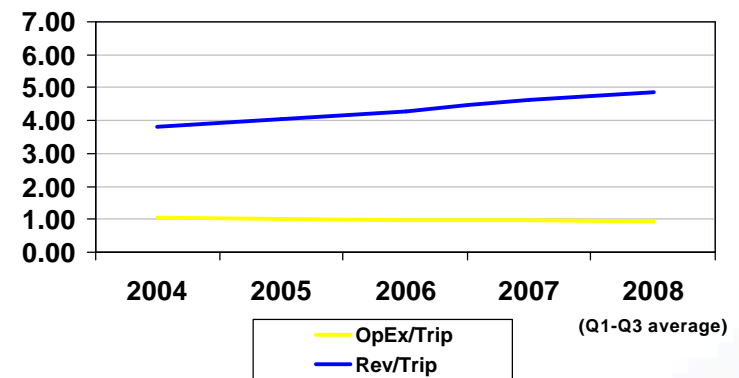
## Operating Expenses (in \$000's)



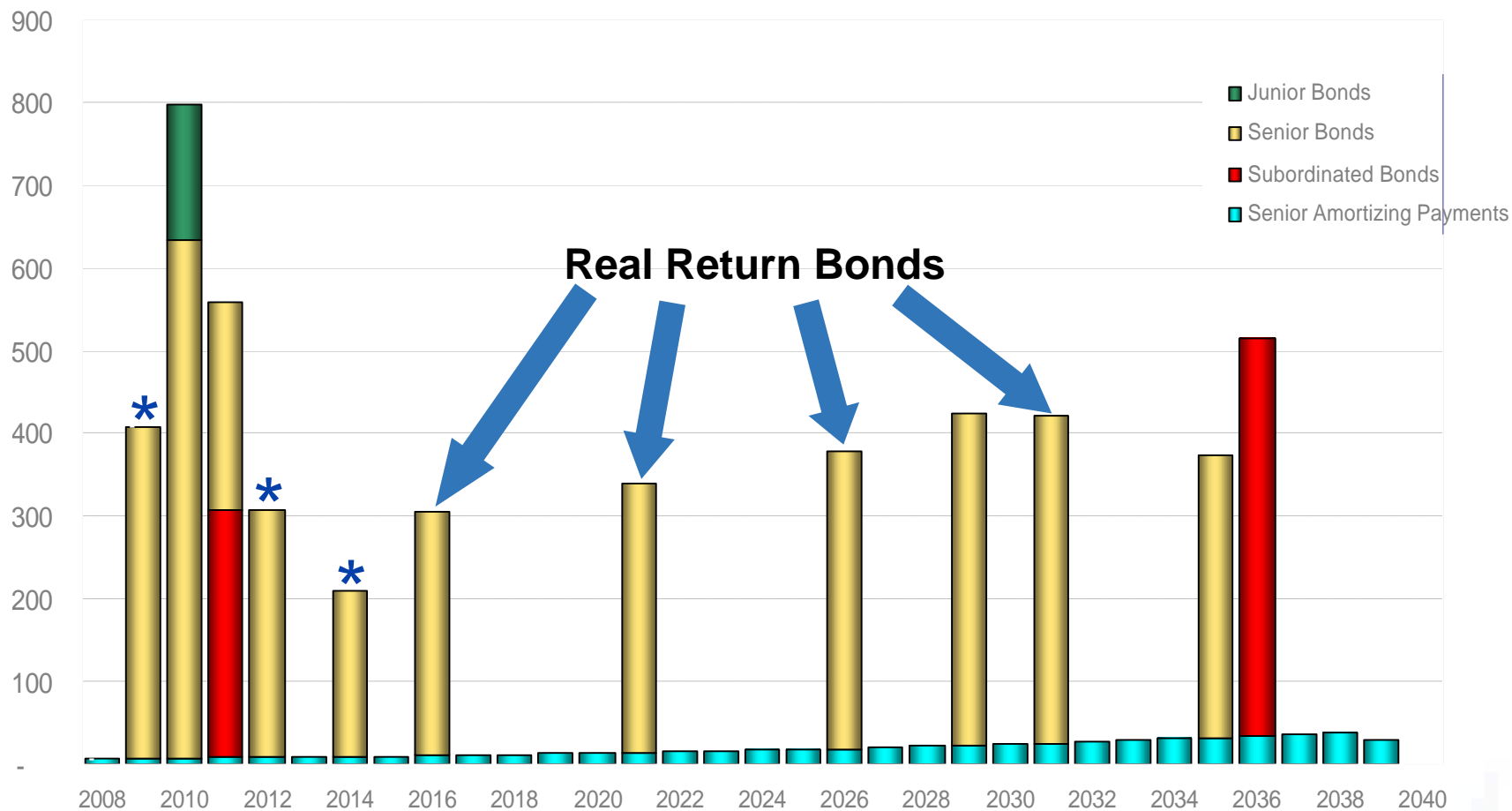
## EBITDA (in \$000's)



## Revenue/Trip and Expenses/Trip



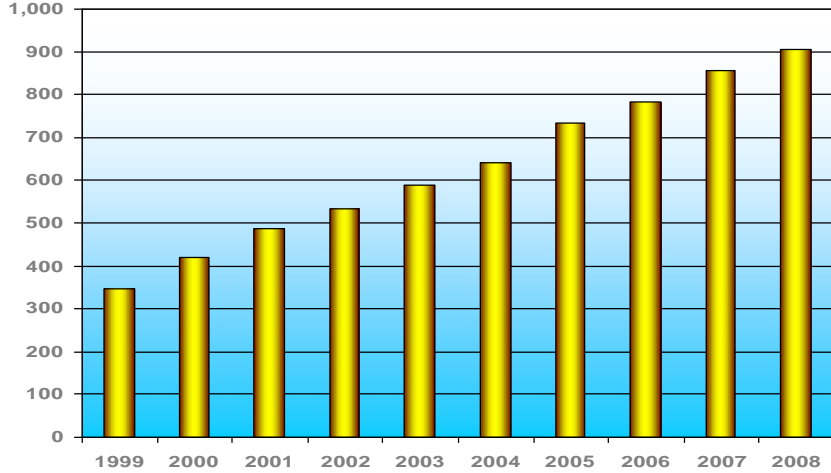
# DEBT MATURITY PROFILE



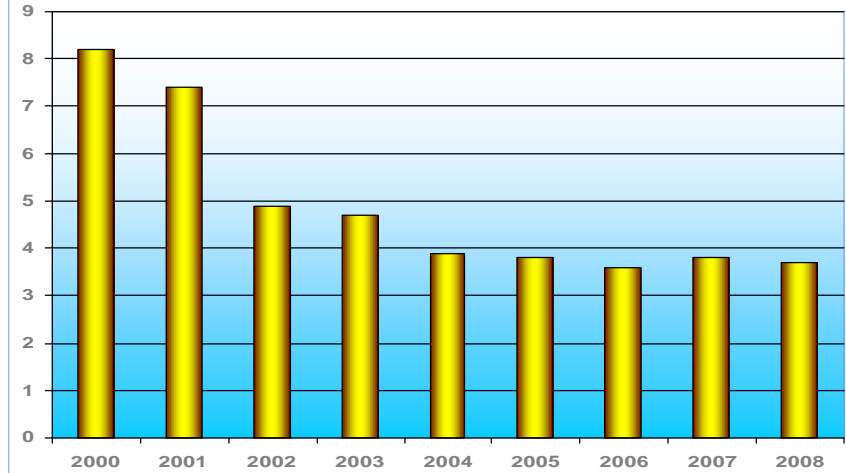
\* Refinanced with bond offerings in January 2009  
(2012 add \$300 senior, 2014 add \$200 senior)

# KEY OPERATIONAL MEASURES

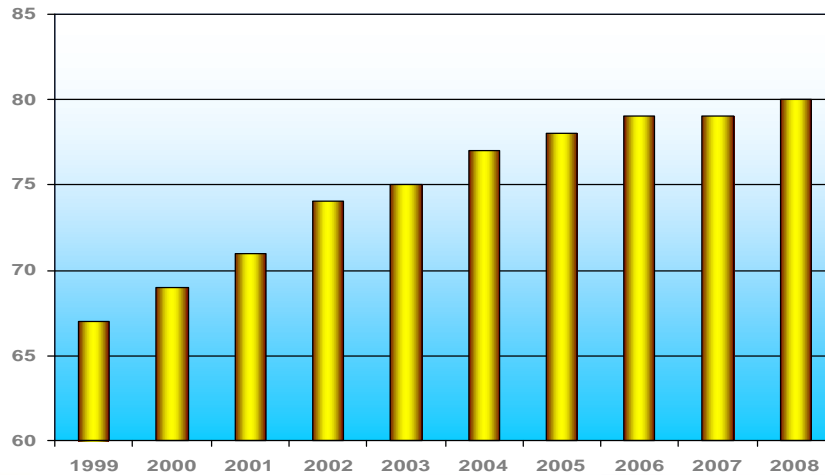
### Transponders In Circulation (000s)



### Unbillable Percentage



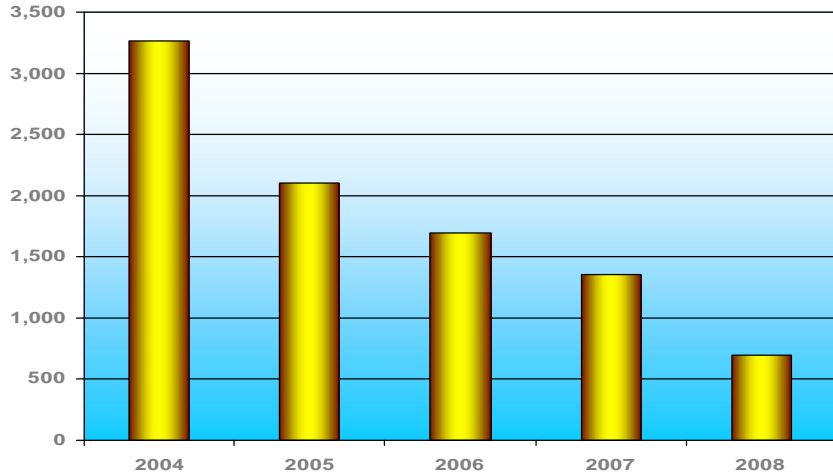
### Transponder Penetration Percentage



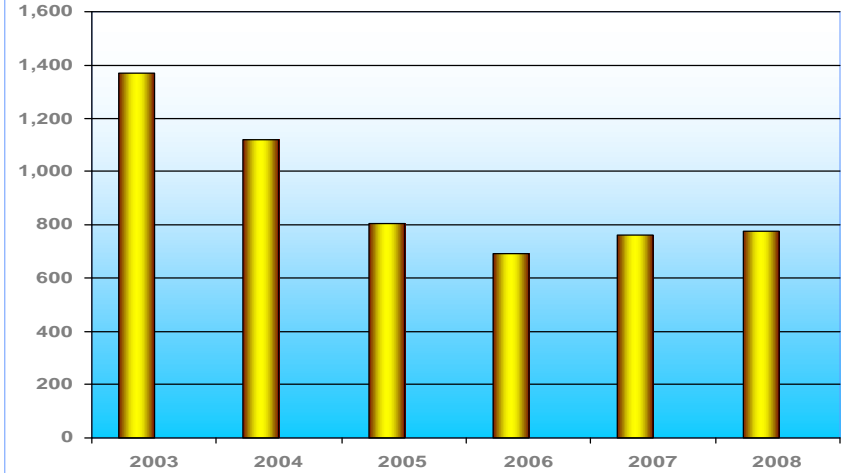
**2008 figures up to Q3**

# KEY OPERATIONAL MEASURES

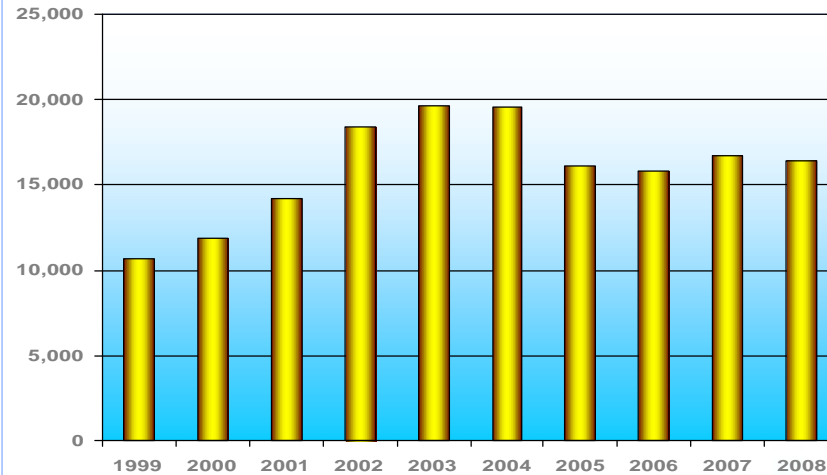
### Number of Escalated Complaints



### Number of Personal and Business Calls (000s)



### Bills Mailed (000s)



- » Winner of a 2008 Canadian Council for Public-Private Partnerships National Award for Excellence in Service Delivery
  - » \$180 million of new lanes in 2006/2007
  - » \$40 million ETR Rewards loyalty program
  - » \$110 million of customer service improvements



- » ISO 9001:2000 Certified

- » Notified of certification on January 13, 2009
- » Committed to continuous improvement and achieving the utmost Quality in the products and services we offer to meet the needs and expectations of our customers



## » RIN project

- » Using MTO Registered Identification Number (RIN) to improve customer service, reduce number of bills going to customers (i.e. loose accounts), consolidate loose accounts, etc.

## » eBilling

- » Number of registrations continued to grow in 2008
- » Over 80,000 customers receive electronic bills, reducing postage and paper costs and improving ability to communicate through email

## » Online Services

- » PAC/PAD enrolments, online payments, online address changes and online transponder leases remain strong



## >> “Customer Drops Plate While Cops Wait”



**Acura with the licence plate lowered.**

Acura uses 407 with plate lowered several times.

One day, the exact same vehicle is spotted with the plate raised, allowing 407 ETR to identify the driver.



**Acura with the licence plate raised.**

OPP set up a “sting” at the commuter’s usual entrance and usual morning drive time.

Vehicle is spotted by OPP with plate lowered and is pulled over by the OPP on the highway.

Cable between back seat and plate is discovered.

Driver cut cheque for all outstanding tolls. Crime doesn’t pay!



**Cable attached to the rear plate.**



**Pull knob sticking out of the back seat.**

