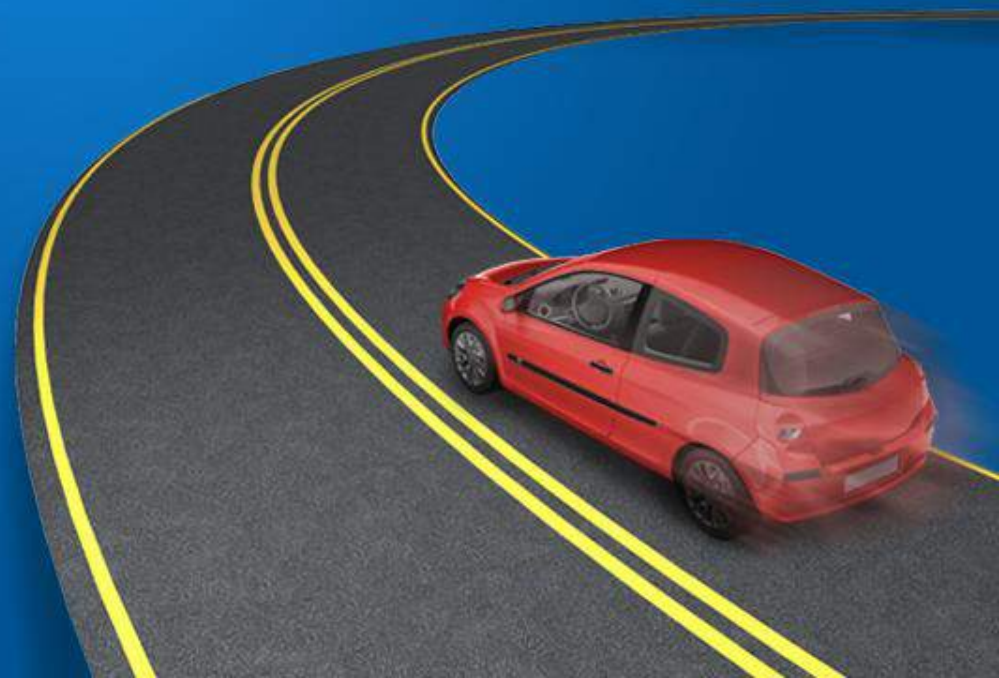


407 ETR: GAINING USER ACCEPTANCE

IMAD NASSEREDDINE
Chief Traffic Operations Officer

November 12, 2009



CHALLENGES FROM THE GET-GO

- » First all electronic toll highway in the world
 - » Lots of 'unknowns'
- » Only toll highway in the province
 - » Introducing the concept of toll roads to Ontario
- » Philosophical debate
 - » People felt they had already paid for the highway through their tax dollars
- » Political risk arising from privatization
- » Suspension of plate denial (5 years)
- » Public perception that concessionaire didn't pay enough for the highway
- » Misconception that 407 ETR's tolls were the highest in North America

- » Largest metropolitan area in Canada
- » **8th largest** metropolitan area in North America (GTA: 6 million people)
- » Toronto (**2.6 million people**) is the **5th largest city** in North America
- » Economist Magazine **5th most livable city in the world** in 2008
- » Some of the **most affluent cities in Canada** are along the 407 ETR corridor (Oakville, Richmond Hill Markham, etc.)



Employment along the Corridor

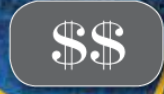


Oshawa

TORONTO

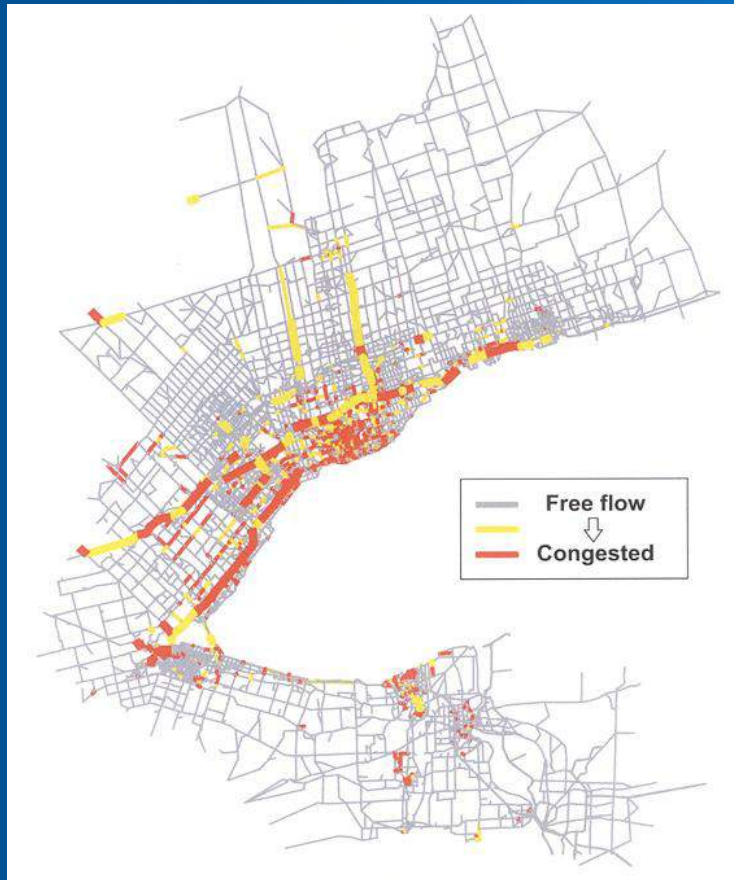
Oakville

Burlington

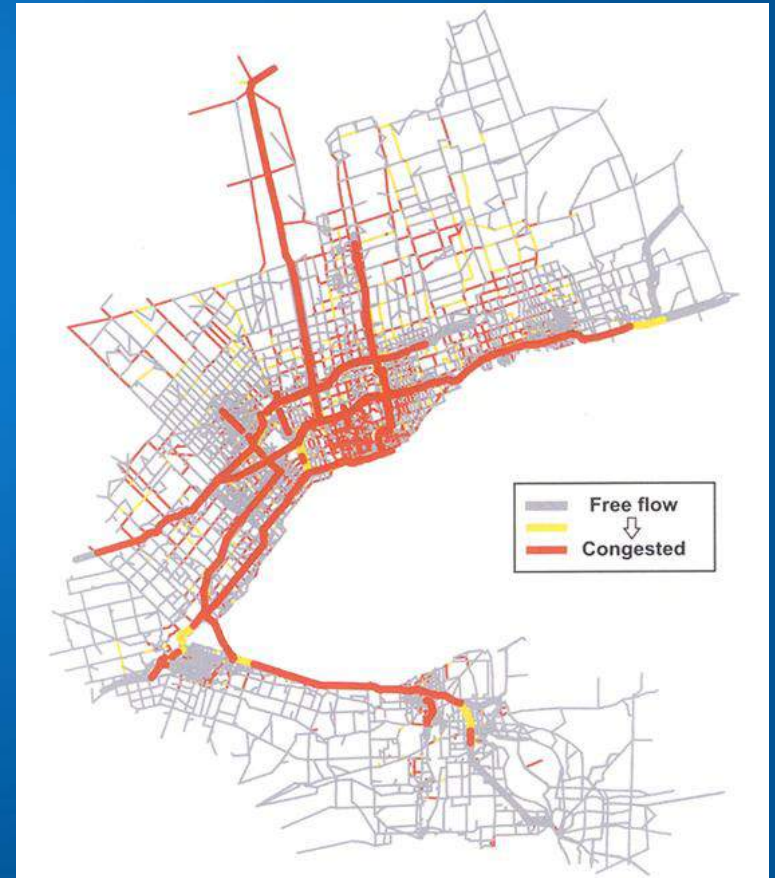


GTA TRAFFIC CONDITIONS (peak hours)

2000



2031



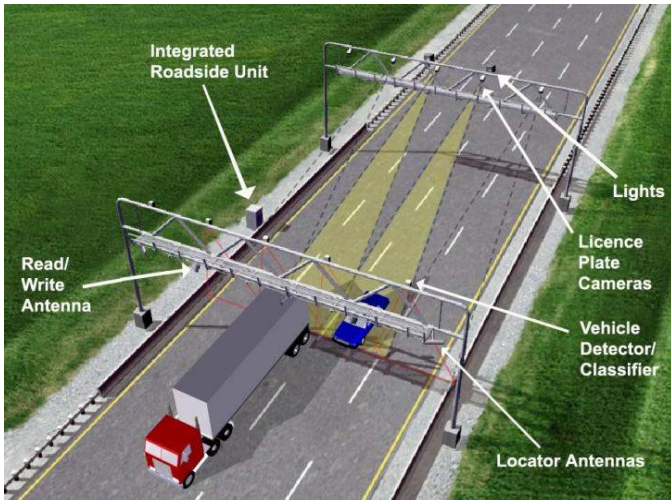
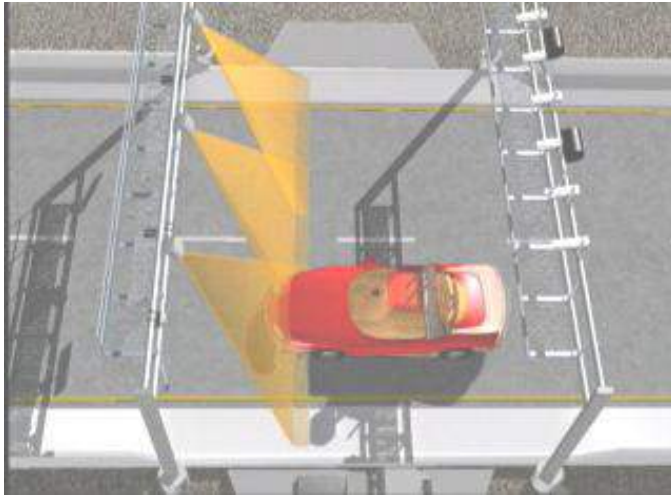
Source: Province of Ontario

ELECTRONIC TOLL COLLECTION

- » **Many advances in urban transportation in recent years have come from the application of toll roads**
- » The use of conventional stop-and-pay toll booths is declining as better practices arise
- » Electronic Toll Collection:
 - » Vehicles are recorded by transponder or video
 - » Open road tolling - fully electronic

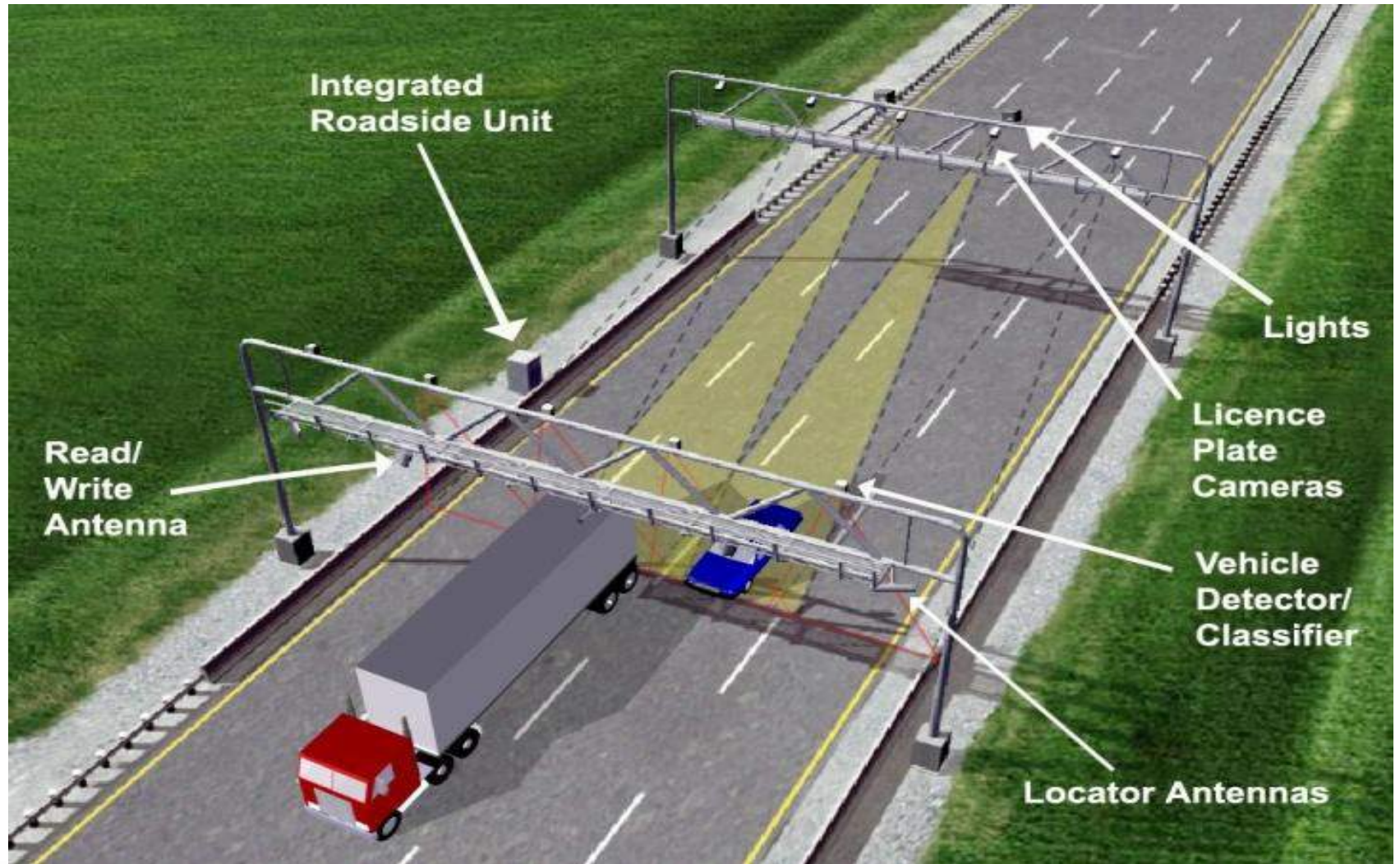


ALL ELECTRONIC OPEN ACCESS



- » Still the world's most-sophisticated all electronic open access toll highway
- » NO toll-booths, "closed ticket" tolling scheme (on/off ramps)
- » 108 km long – 198 entries and exits
- » NO stopping or slow-downs to pay
- » ALL vehicles able to use highway
- » Transponder not required. If a valid transponder is not detected, digital images are taken at entry and exit
- » Tolls billed monthly

THE ROADSIDE



CURRENT CUSTOMER BASE

- » **377,922** average trips per workday in 2008 (114 million total trips in 2008)
- » More than **950,000** transponders in circulation
- » Approximately **1.3 million bills** sent each month (more than 7 million customer accounts)
- » **775,000 calls** received in 2008 – answered in an average of **18 seconds**
- » Current call drivers
 - » Account balance
 - » Bill payment
 - » Billing inquires

407 ETR
Express Toll Route

Account Number: 21 Aug 08
Bill Date: 21 Jul 08 to 20 Aug 08
Billing Period:

Total amount due: \$16.46
Please pay promptly. To save time and money, sign up for pre-authorized payment today!

Save Time and Gas!
Drive 407 ETR and save time and gas. A typical trip on 407 ETR uses forty percent less gas and is thirty three minutes quicker. Visit www.407etr.com for details.

Stop interest and avoid collections
Interest charges are accumulating and your overdue account may be sent to a collections agency. To pay this bill, visit www.407etr.com or call 1-888-407-0407. If payment has been made, please disregard this message.

Account summary

| | |
|----------------------------|----------------|
| Amount of previous balance | \$16.14 |
| Previous balance due | \$16.14 |
| Toll charges | \$0.00 |
| Video toll charge | \$0.00 |
| Interest | \$0.32 |
| PST | \$0.00 |
| GST (#888411055) | \$0.00 |
| Total new charges | \$0.32 |
| Total amount due | \$16.46 |

Page 1 of 2

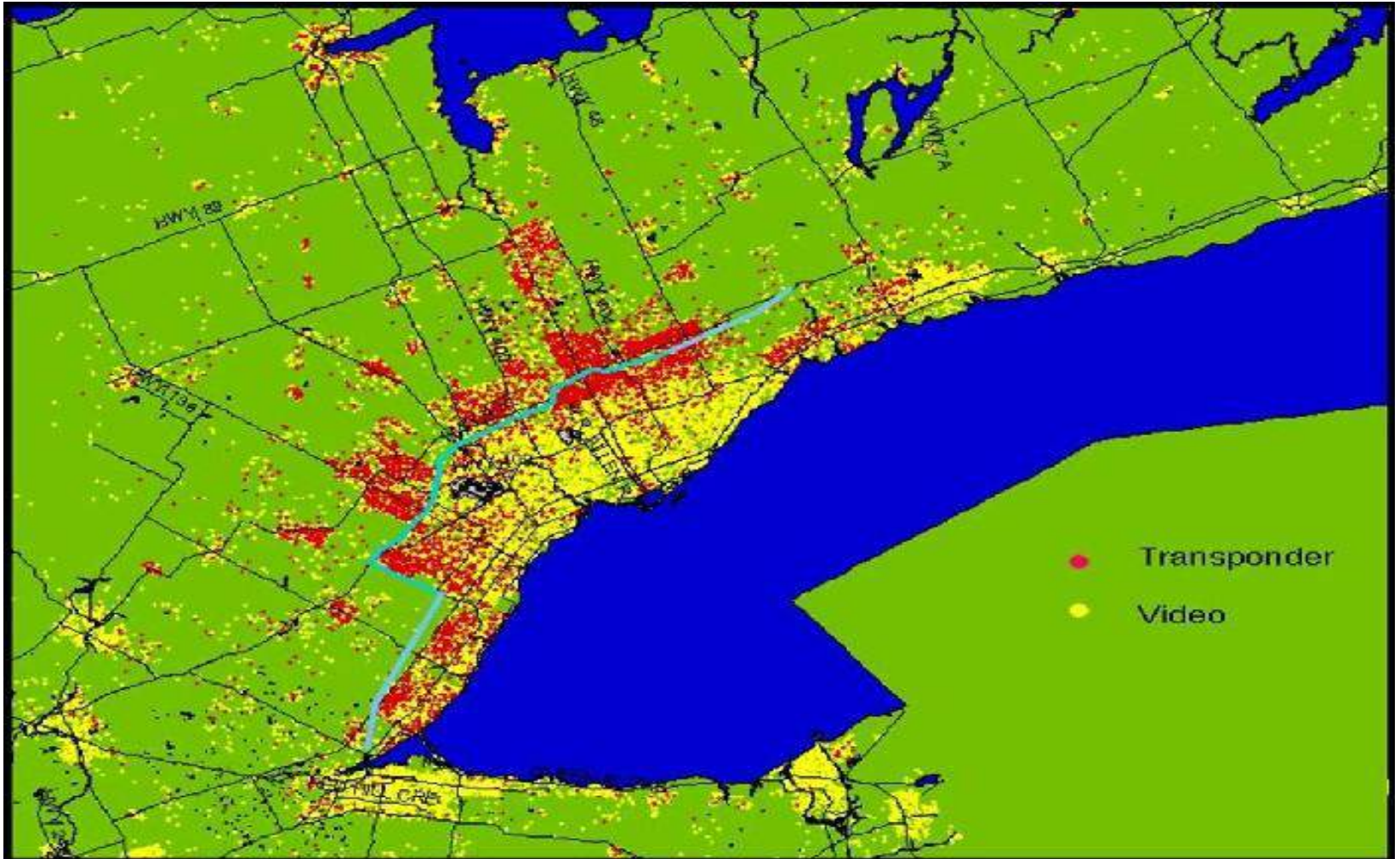
Account number: 850 269 854
Total amount due: \$16.46
Amount paid: \$

21 Aug 08
108444

NAME
ADDRESS
CITY, PROVINCE POSTAL CODE

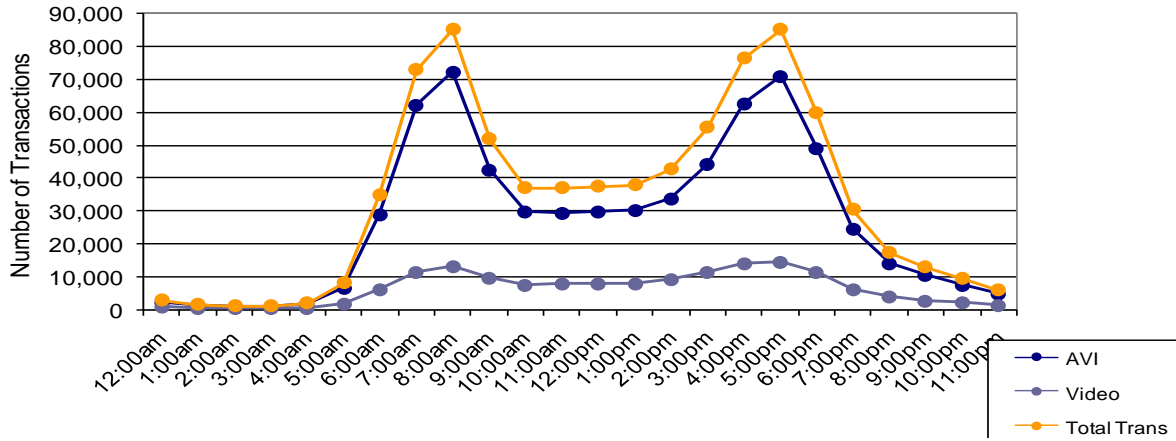
00 00085026986 4 000001646 20060821 3
1007159000 96

USER CATCHMENT AREA



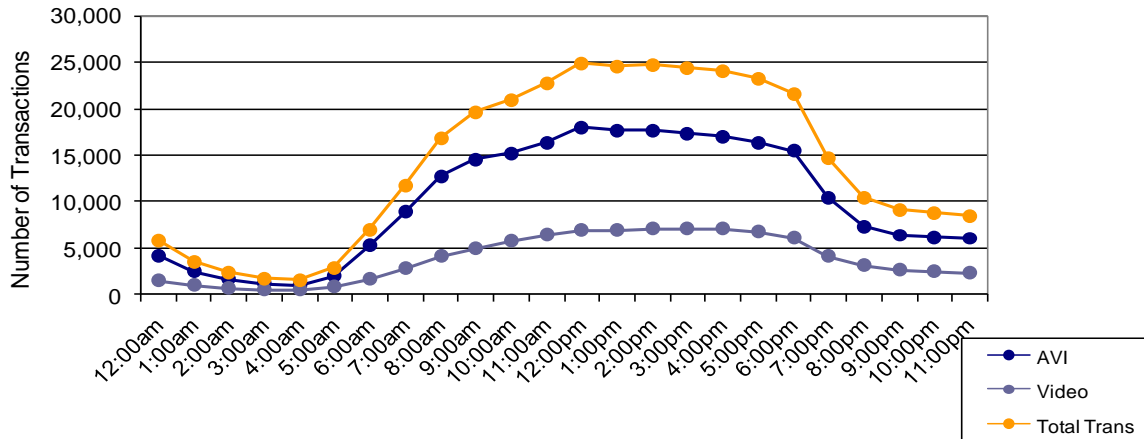
TYPICAL TRAFFIC DISTRIBUTION

Hourly Transactions (on Hour)



Average Weekday

Hourly Transactions (on Hour)



Average Weekend Day

TOLLING AND 407 ETR CUSTOMERS

- » There has been a clear maturation in the relationship between the highway and its users

- » 407 ETR has gone from being seen a novelty or luxury to being an integral part of users' lives
 - » Customers see the value they receive for their toll dollars:
 - » *Reliable trips*
 - » *Time savings*
 - » *Excellent service*

- » Because of 407 ETR and the value that its service provides, motorists have a better opinion of toll roads
 - » Increase in general acceptance
 - » Increase in awareness of the benefits of toll roads

BENEFITS TO THE CUSTOMER

- » Today, an average trip (20km) costs roughly \$4.20
- » **More than 75% of users say they save 15 minutes or more per trip**
- » Independent comparisons of similar 40 km trips on 407 ETR and Highway 7 in York Region show:
 - » Saving of 33 minutes on 407 ETR (24.5 minutes vs. 58)
 - » 50% reduction in carbon footprint on 407 ETR (5 vs. 9 tons of carbon)
 - » 3 litres per trip gas savings on 407 ETR (4 litres vs. 7 litres)
 - » (At \$101.5/litre, the gas savings pay for most of the cost of the toll)
 - » 50% less vehicle wear and tear 407 ETR (brakes, transmission, etc.)
 - » 11 less days commuting annually on 407 ETR (8 days vs. 19.3 days or 196 hours vs. 464 hours)
 - » Source: “Commuter compares pay, toll roads”, *Markham Economist & Sun*, (York Region.com), January 25, 2008.

CUSTOMER TESTIMONIALS



[Windows Media](#) [QuickTime](#)



[Windows Media](#) [QuickTime](#)



[Windows Media](#) [QuickTime](#)

SAFETY AND LEVELS OF SERVICE

- » 407 ETR always looks to **provide better traffic level of service** which translates into higher user safety and increased travel time savings
- » In the last 5 years (2005 to 2009), 407 ETR has **reinvested over \$200 million to build more than 150 lane KM** of capacity in its busiest segments
- » Combined, the lane expansion projects provide **improved service to more than 70%** of 407 ETR customers

407 ETR Collision History

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-----------------|------|------|------|------|------|------|------|
| Collision Rate* | 0.28 | 0.32 | 0.25 | 0.32 | 0.30 | 0.34 | 0.34 |

**Mainline collisions per million vehicle kilometres*

- » 407 ETR's collision rate is about half the average for Ontario freeways

TOLL RATE COMPARISON

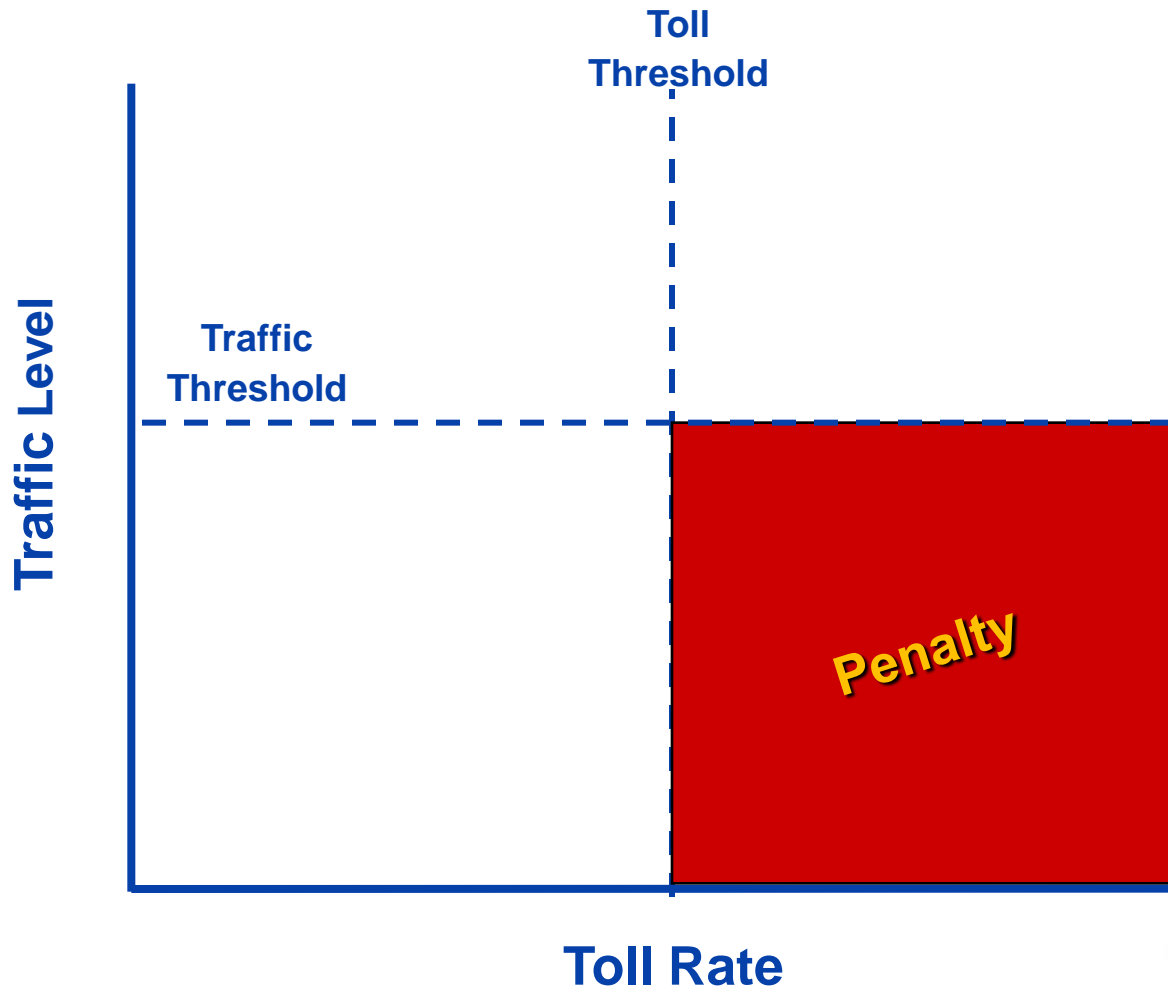
| <u>Facility</u> | <u>2009 Toll Rate CDN¢/KM/Peak</u> |
|---|--|
| Eastern Distributor (Australia) | ¢ 81.11 |
| 91 Express Lanes (California) | ¢ 51.55 |
| Westlink M7 (Australia) | ¢ 32.37 |
| AUSOL 1 (Spain) | ¢ 28.31 |
| Chicago Skyway (Illinois) | ¢ 25.01 |
| Delaware Turnpike (Delaware) | ¢ 23.64 |
| 407 ETR (Ontario) | ¢ 21.10 |
| San Joaquin Hills Transportation Corridor (CA) | ¢ 19.50 |
| AUTEMA (Spain) | ¢ 18.61 |
| Dulles Greenway (Virginia) | ¢ 18.11 |
| Foothill Transportation Corridor – North Segment (CA) | ¢ 14.84 |
| Richmond Downtown Expressway (Virginia) | ¢ 13.39 |

1 USD = 1.04622 CAD
1 EUR = 1.57137 CAD
1 AUD = 0.973352 CAD

THRESHOLDS BY SEGMENT

Concessionaire is free to raise toll rate while achieving traffic levels above the traffic threshold.

If traffic levels fall below the traffic threshold and the toll rate is above the toll threshold, a penalty applies



REINVESTMENT IN CUSTOMER SERVICE

1999

- » 21 workstations
- » 21 telephone lines
- » Long wait time
- » 1,400 sq. ft. call centre
- » Limited Revenue Mgmt System
- » Telephone only service channel
- » 237,000 avg. workday trips
- » 300,000 transponders issued
- » Inherited roadside/back office equipment
- » No Escalations or Business Units
- » 351 mainline lane kilometres

2009

- » 174 workstations
- » 640 telephone lines
- » <30 second wait time since 2003
- » 13,800 sq. ft. call centre
- » \$50M new ERP system
- » Channels: online, IVR, email, epost, etc.
- » 400,000 average workday trips
- » 952,000 transponders issued
- » \$27M in new projects – update gantries, Maestro, Sherlock, CTI, CCTV, RWIS, etc.
- » Customer Advocacy Group, Business Accounts Unit, Ombudsman
- » 727 mainline lane kilometres

CUSTOMER COMMUNICATIONS

- » 407 ETR uses a variety of methods to communicate with customers
- » Promotes, enhances and develops corporate identity
- » Communication Objectives:
 - » Change customer behaviour
 - » Reinforce 407 ETR's brand
 - » Fast, safe, reliable
 - » Educate/inform customers and the general public
 - » Highlight good deeds, dispel myths, correct common misconceptions
 - » Improve corporate reputation
 - » Help opinion leaders form a better impression
 - » Increase trips on 407 ETR
 - » Encourage new customers to use 407 ETR
 - » Encourage existing customers to drive more



CUSTOMER COMMUNICATIONS

» Inserts/Newsletters

- » Sent with 1.3 million 407 ETR bills each month
- » Can be targeted to a select group of customers

» Website

- » Many user-friendly, online services available
- » Over 77,000 online transactions every month

» Email

- » Increase in email customer communications
- » Results to date are very positive, especially when compared to industry averages:
 - » Open rate over 30%
 - » Unsubscribe rate less than 1%

» President's Survey

- » Launched in 2009 to ask for customer feedback
- » Survey completion rate approximately 10%



REWARDING LOYAL CUSTOMERS

- » **ETR Rewards: \$40 million** loyalty program
- » Top tier of frequent users can save up to **10-15%** off their bill
- » Program designed after significant customer market research and a four-month pilot
- » Savings in the form of gas discounts from Petro-Canada and free weekend kilometres from 407 ETR
- » Over **100,000** customers eligible for program
- » Each month, top tier customers save 9 cents per litre off up to 140 litres of gas and 140 free weekend KM
- » Research shows Rewards members understand program and like it
- » **70%** aided and unaided customer awareness after just 11 months



CUSTOMER FRIENDLY PROGRAMS AND POLICIES

» Roadside Patrol

- » Provides assistance to over 2000 customers each year
- » Operates seven days a week, 24 hours a day
- » Services include: giving a boost, changing tires, providing a free gallon of gas, or calling a tow truck
- » Customer Feedback: *“As I was waiting for a tow truck, a 407 ETR vehicle pulled up behind me to offer assistance. I explained to David, the roadside patrol driver, that a tow truck was en route. I asked if he had any water in his truck and he said he was sorry, but he didn’t. 10 minutes later he returned with bottles of water and apple juice. I know David’s duties include roadside assistance but making the extra effort to bring me a drink of water is outside his normal responsibilities. I want to express my appreciation for what he did. He is truly a credit to your organization.”*

» Commercial Accounts

- » Manages relationships with large commercial or business customers
- » Provides personalized service support to over 400 of 407 ETR’s largest customers who in turn provide annual revenues in the \$30M range
- » Monitors and maintains accounts, analyzes and addresses service issues and outstanding balances

CUSTOMER FRIENDLY PROGRAMS AND POLICIES

» **Crediting Toll Charges**

- » Program offers the 'benefit of the doubt' to customers; goodwill gesture
- » Toll charges credited to customers who call because they were diverted on to the highway by police in an emergency situation or road closure

» **Heavy Vehicle Savings Program**

- » Savings program for top commercial customers
- » Offers toll rate discounts to commercial traffic that travel during off-peak periods
- » Accounts that drive more and have up-to-date payments receive incentives

» **Ombudsman**

- » Advocate for fairness and to address customers' unresolved issues or concerns related to customer service matters.
- » Reviews customer's concerns in an unbiased and impartial manner, ensuring the procedure is fair and reasonable to both the customer and 407 ETR.
- » Makes recommendations to management based on fairness and good business practices.
- » Prepares an annual external report summarizing the activities of its office.

» **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



» **Winner of 2009 International Bridge, Tunnel and Turnpike Association (IBTTA) President's Award for Excellence and Technology Award**

- » \$1 million project reduced manual verification transactions by 20 percent and increased plate readability by percent
- » 37 percent reduction in headcount, while traffic volume increased by 9.8 percent over the same period



» 407 ETR has taken a number of steps to improve relations with stakeholders, including:

- » Targeted use of advertising to reinforce usage benefits
- » Conducting focus groups, market research and customer surveys
- » Outreach efforts to Members of Provincial Parliament, opposition parties and regional and municipal officials
- » Proactive media relations, including tours and regular dialogue with reporters
- » Correcting the record when others convey inaccurate information to the public
- » Working with business clients whose large fleets extensively use 407 ETR

GIVING BACK TO THE COMMUNITY



- » **Make the Technology work**
 - » **Get the correct bill to the right address**
 - » **Make bills easy to understand**

- » **Price to reflect benefits**
 - » **Time savings**
 - » **Reliability**
 - » **Safety**
 - » **Convenience**

- » **Improve Customer Service**
 - » **Improve average wait time**
 - » **Online services**
 - » **Customer advocacy**
 - » **Roadside assistance**
 - » **Fix problems before they happen (ex. advance lane widening)**
 - » **Enforcement**



» Communicate with Customers

- » Bill messaging/inserts
- » Newsletters
- » Road signage
- » Radio tags/traffic conditions

» Reinvest

- » Customer loyalty programs
- » Sponsorships
- » Donations

» Listen

- » Focus groups/market research
- » Employee Surveys
- » Ombudsman/Customer Advocacy

» Strive to be the best

- » Technology/operational excellence awards,
- » International certification,
- » Customer service awards
- » Measure yourself!



- » In the majority of cases presented by the Toronto Star, customers traveled on 407 ETR and simply did not pay their bill. With the reinstatement of Plate Denial, these accounts are now being collected on.
- » There are a very small number of cases that resulted from a misread plate. In the situation where an individual has been billed improperly or a statement has been sent to an out-of-date address, steps are taken to adjust the bill accordingly.

EXAMPLES:

- » Customer: Ms. A
 - » error reading an out-of-province licence plate
 - » money was debited from the customer's account as she was registered for pre-authorized payments
 - » the account was appropriately adjusted once the error was brought to our attention
- » Customer: Ms. B
 - » The customer traveled on 407 ETR in 2000
 - » Multiple bills were mailed to the customer and she chose not to pay them
 - » Plate denial was not in effect at the time and the customer was charged interest on the trips
 - » As a result of non-payment, her plates have been marked for Plate Denial

Last year, drivers on 407 ETR took over 114 million trips and we issued more than 15 million bills. However, the number of billing complaints received represents a very small fraction of total customers.

