



# THE WORLD'S FIRST ALL-ELECTRONIC OPEN-ACCESS TOLL HIGHWAY

BMO Capital Markets

11th Annual Infrastructure & Utilities Conference

February 6, 2014 (as at Q3 2013)



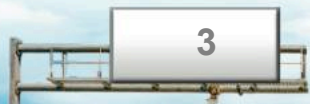
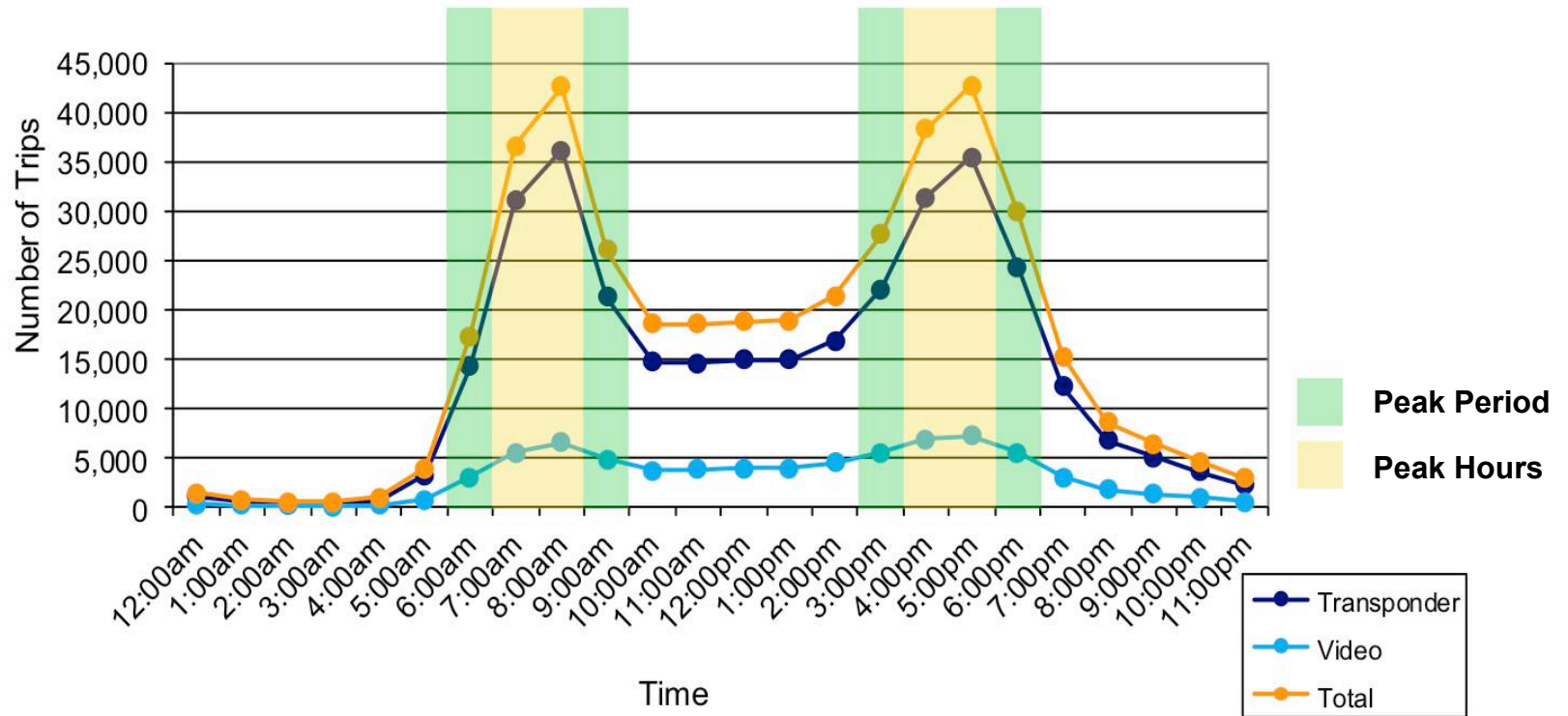
# DISCLAIMER/DISCLOSURE

- » 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.
- » All financial amounts are shown in Canadian dollars unless otherwise indicated.
- » Additional information relating to 407 ETR and / or 407 International, including the 2012 Annual Information Form dated February 14, 2013, 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.

***Please see Appendix for further background information.***

# AVERAGE WEEKDAY HOURLY TRIPS

## Average of over 380,000 trips each work day



# TRAFFIC STIMULATION - COMMERCIAL ACCOUNTS PILOT OFFER



**407 ETR**  
Express Toll Route  
FAST. SAFE. RELIABLE.

Special offer from  
407 ETR!

## Special offer for Rogers employees!

407 ETR is extending an exclusive **FREE TRAVEL** offer to Rogers employees!

From April 1, 2013 until September 30, 2013, enjoy **FREE TRAVEL** when travelling between Highway 410 and Highway 427 during the hours of **7:30 a.m. – 8:30 a.m.** and **4:30 p.m. – 5:30 p.m.**, Monday to Friday.

To take advantage of this offer, all you have to do is enjoy fast, safe and reliable trips on 407 ETR – we'll take care of the rest! To sign up, please complete and sign the attached application form and email to [rogers.offer@407etr.com](mailto:rogers.offer@407etr.com).

For more information, please call (905) 266-2172 or 1-855-813-8894 or send an email to [rogers.offer@407etr.com](mailto:rogers.offer@407etr.com).

- » Free Travel offered in Segment C3 during specific hours.
- » Highway usage in other segments is billed at regular toll rates.
- » Offer made to companies with a total of 26k employees.
- » Stimulates traffic in key segments of highway.
- » Overall positive contribution to traffic growth.

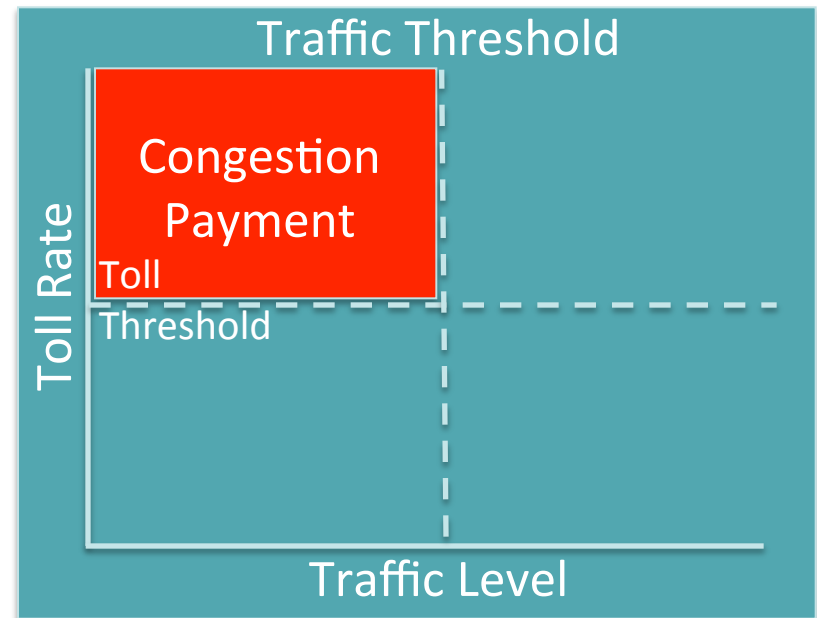




# TOLL SETTING “CONSTRAINT”

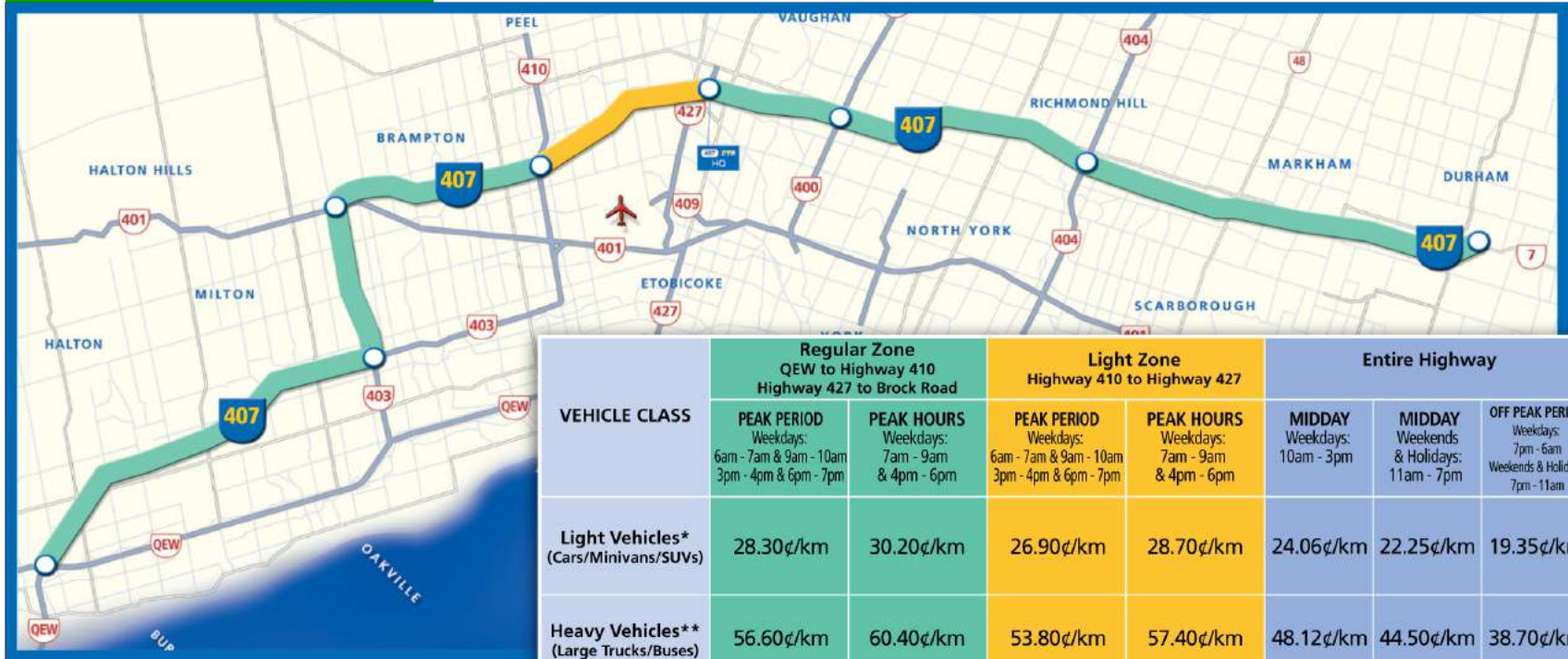
## » CGLA – Schedule 22

- » Schedule 22 includes the concept of Congestion Payment to ensure traffic relief in the corridor.
- » Sets minimum traffic levels (Traffic Thresholds) for each segment and direction, based on 2002 levels, and a minimum Toll Threshold.
  - » The Traffic Threshold grows by 1%-3% per year after the Base Year, up to a maximum of 1,500 vehicles per hour per lane.
  - » The Toll Threshold also increases, up to 30% in real terms from 1999 level.
- » A Congestion Payment may be due if:
  - » Applicable rate > Toll Threshold **and** Average Segment Flow Rate (ASFR) is less than the Traffic Threshold.
  - » The congestion payment is twice the traffic shortfall times the toll rate overage.
  - » Only one Congestion Payment made (\$28.7k for 2003).
  - » As Traffic Threshold increases, the likelihood of a “Traffic Shortfall” increases on some segments.



# 2014 ZONE/PEAK TOLLING

Effective February 1, 2014



VEHICLE CLASS	Regular Zone QEW to Highway 410 Highway 427 to Brock Road		Light Zone Highway 410 to Highway 427		Entire Highway		
	PEAK PERIOD Weekdays: 6am - 7am & 9am - 10am 3pm - 4pm & 6pm - 7pm	PEAK HOURS Weekdays: 7am - 9am & 4pm - 6pm	PEAK PERIOD Weekdays: 6am - 7am & 9am - 10am 3pm - 4pm & 6pm - 7pm	PEAK HOURS Weekdays: 7am - 9am & 4pm - 6pm	MIDDAY Weekdays: 10am - 3pm	MIDDAY Weekends & Holidays: 11am - 7pm	OFF PEAK PERIOD Weekdays: 7pm - 6am Weekends & Holidays: 7pm - 11am
Light Vehicles* (Cars/Minivans/SUVs)	28.30¢/km	30.20¢/km	26.90¢/km	28.70¢/km	24.06¢/km	22.25¢/km	19.35¢/km
Heavy Vehicles** (Large Trucks/Buses)	56.60¢/km	60.40¢/km	53.80¢/km	57.40¢/km	48.12¢/km	44.50¢/km	38.70¢/km
Heavy Multiple Unit Vehicles** (Tractor trailers)	84.90¢/km	90.60¢/km	80.70¢/km	86.10¢/km	72.18¢/km	66.75¢/km	58.05¢/km

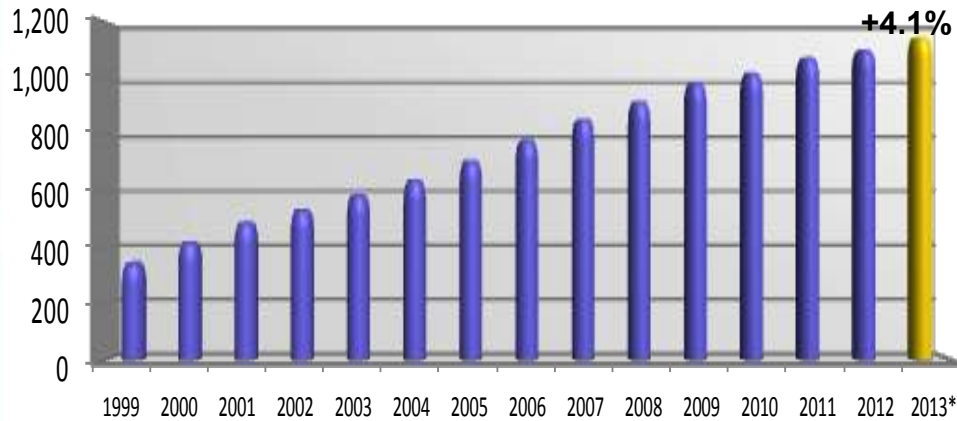
- » Rates vary by time of day, day of week and zone of highway
- » Avg. revenue per trip: **2013 (Q3)**\$7.33, **2012 (Q3)**\$6.72, **2011 (Q3)**\$6.26, **2010 (Q3)**\$5.75
- » 2014 toll rate increases reflects premium value of our highway at rush hour

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# TRANSPONDER USAGE

## Transponders in Circulation (000's)

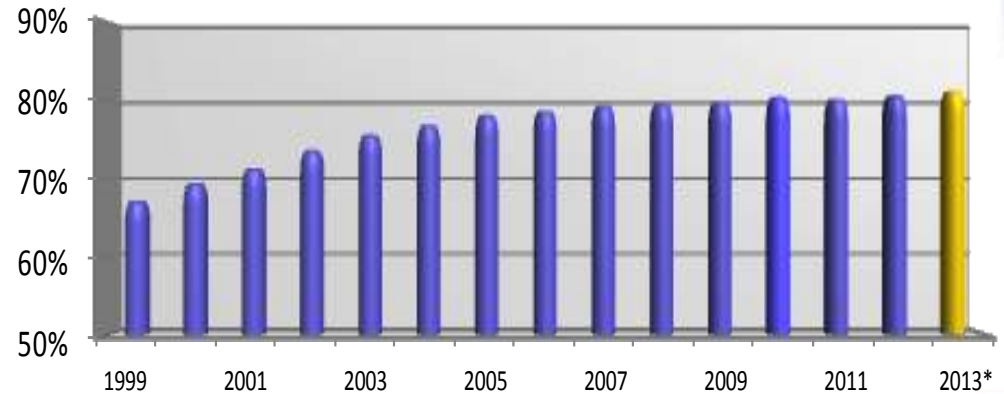


- >> Promotions and the savings achieved by customers using a transponder have increased transponder penetration, thereby reducing corporate costs related to non-Transponder usage.
- >> Transponders assist the company in maintaining a strong customer service relationship.

\* as of September 2013

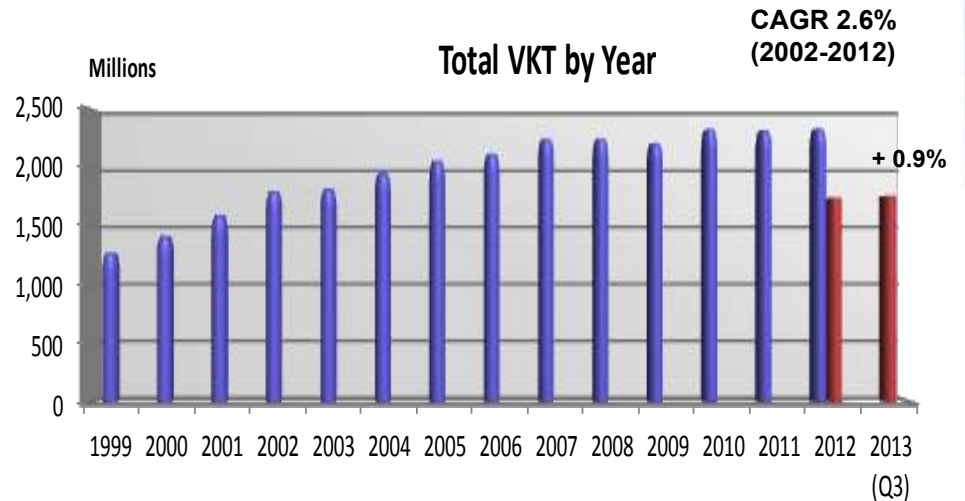
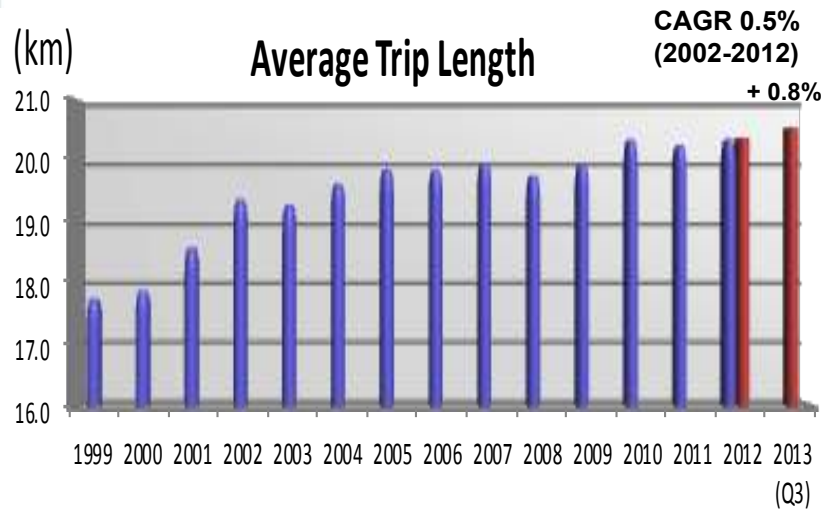
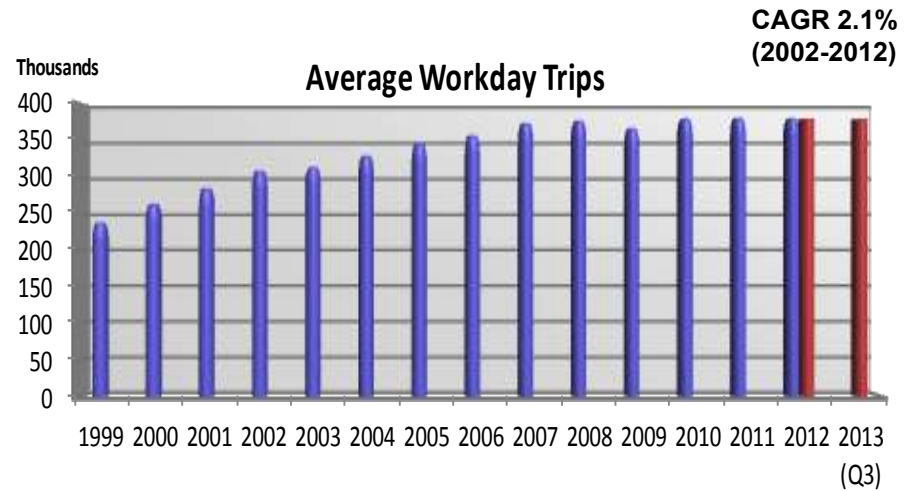
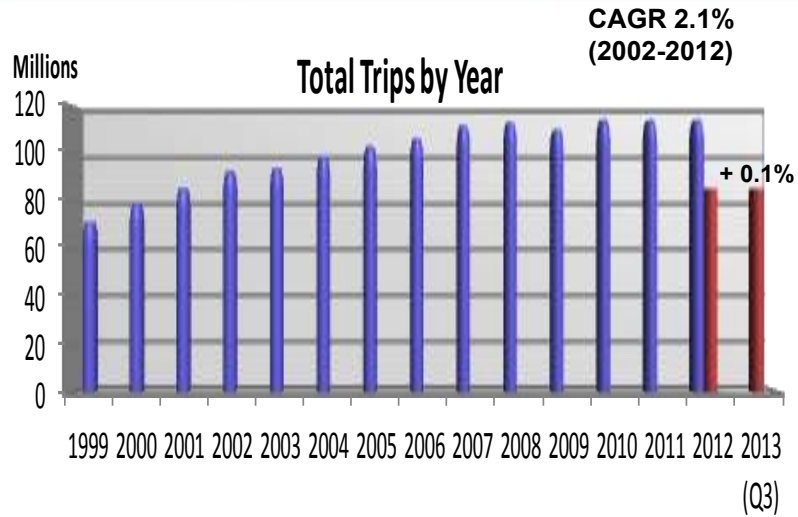


## Transponder Penetration Percentage





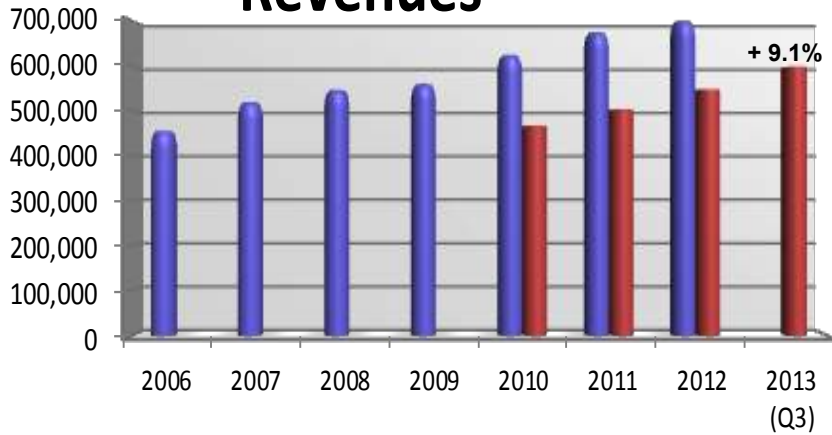
# TRAFFIC PERFORMANCE



# KEY FINANCIAL INDICATORS

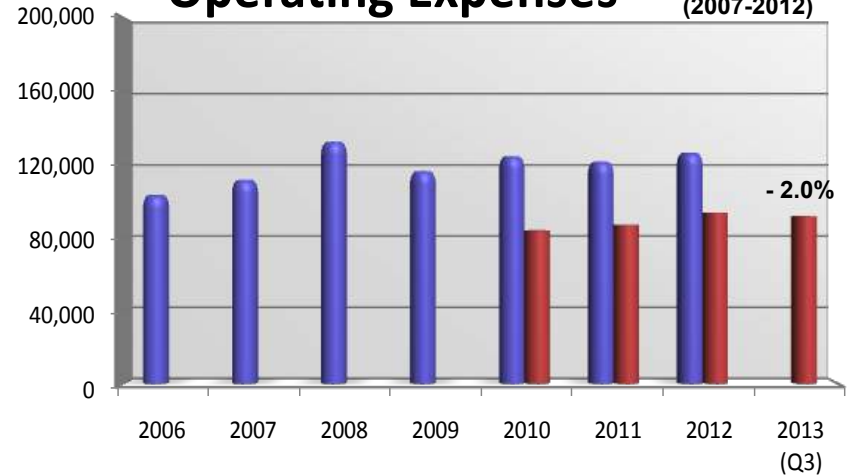
## Revenues

CAGR 7.2%  
(2007-2012)



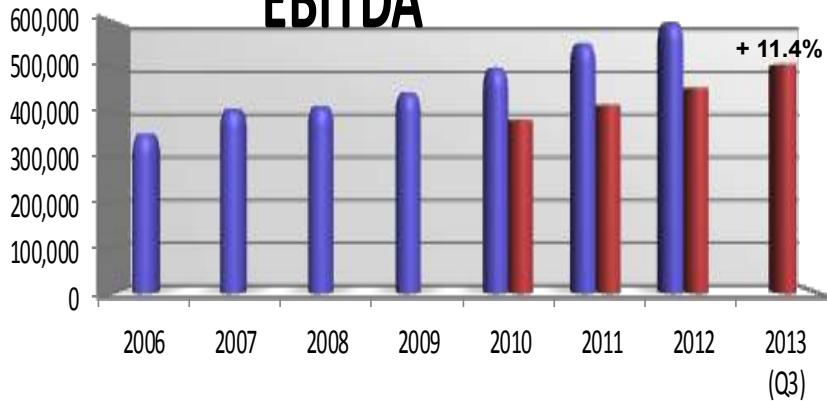
## Operating Expenses

CAGR 2.5%  
(2007-2012)

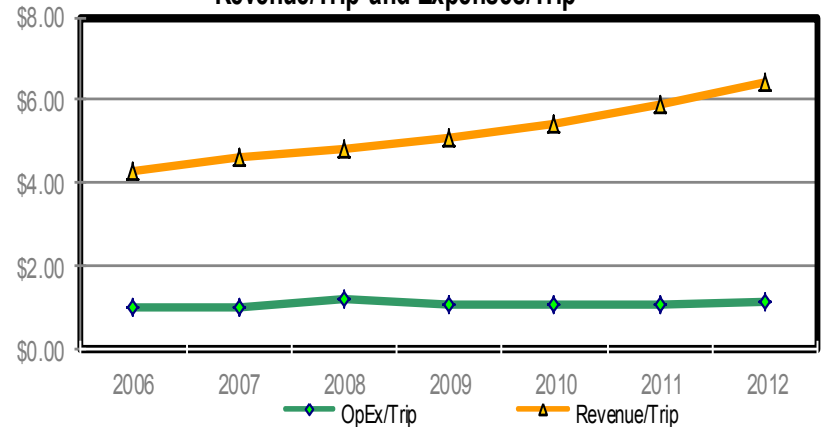


## EBITDA

CAGR 8.3%  
(2007-2012)

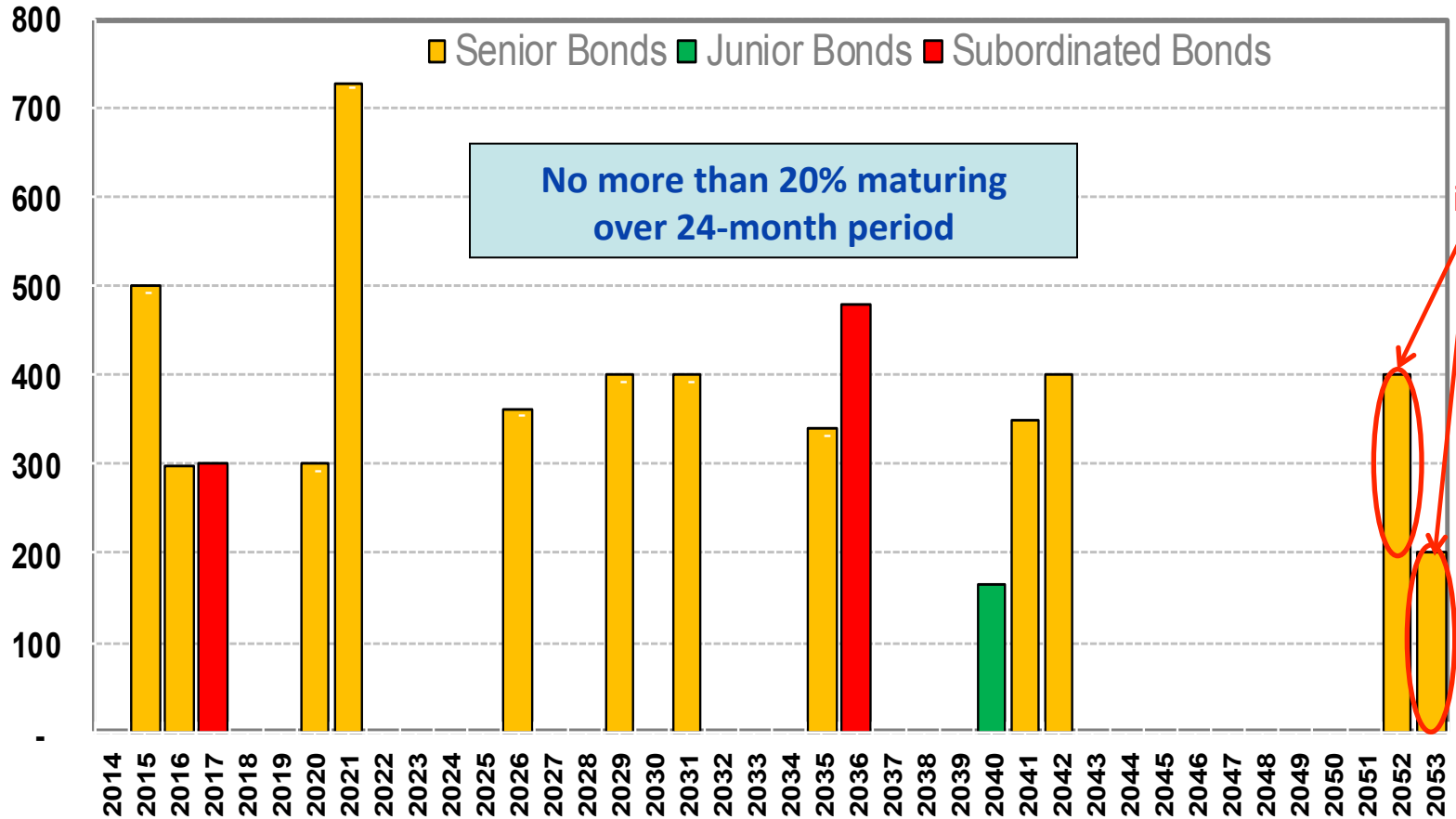


## Revenue/Trip and Expenses/Trip



# BOND MATURITY PROFILE

\$ millions



>> Total Long-Term Debt: \$ 6.1 billion



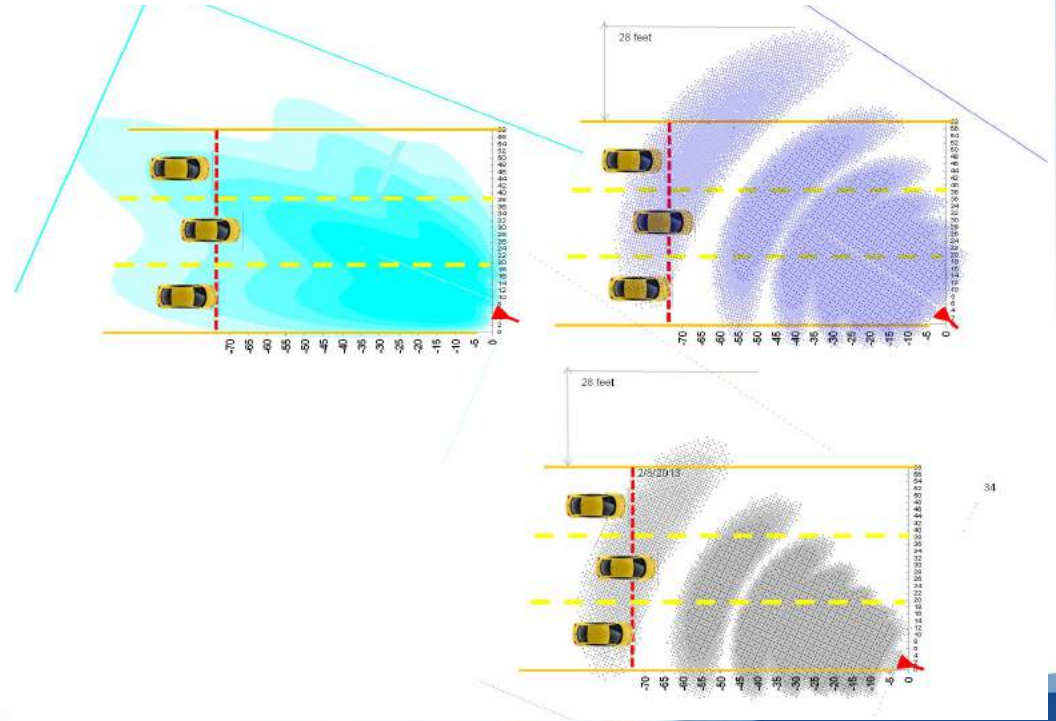
# LATEST TECHNOLOGY PROTECTS REVENUE



- » Roadside technology continuously updated with proven and reliable technology.
  - » New “seeker” system provides enhanced “locator” data of vehicles as they pass under gantry – reducing number of images required.
  - » CMOS cameras and LED lighting provides best high-quality images and use less energy.
  - » Front capture camera for toll enforcement on heavy vehicles.

# SEEKER: CUSTOMIZED SOLUTIONS / UPGRADES

- » Enhancing transponder detection and identification
- » 36 sites upgraded to Seeker in 2013 now 62 sites total in service
- » 30 sites planned 2014
- » VRC shaped antenna prototype under evaluation to enhance field of detection.



# CMOS CAMERAS – ONGOING INNOVATION

- » New **CMOS** camera and lighting provides better, brighter and larger images.
- » Improves automatic processing of plates.
- » Reduces error rate on visual inspection.
- » Provides more data for vehicle fingerprinting.
- » New lighting uses less energy.
- » **49 sites deployed in 2013 totalling 90 sites completed.**
- » **45 sites targeted for 2014.**

Larger/Taller Images



Before



After



New energy efficient  
LED lighting



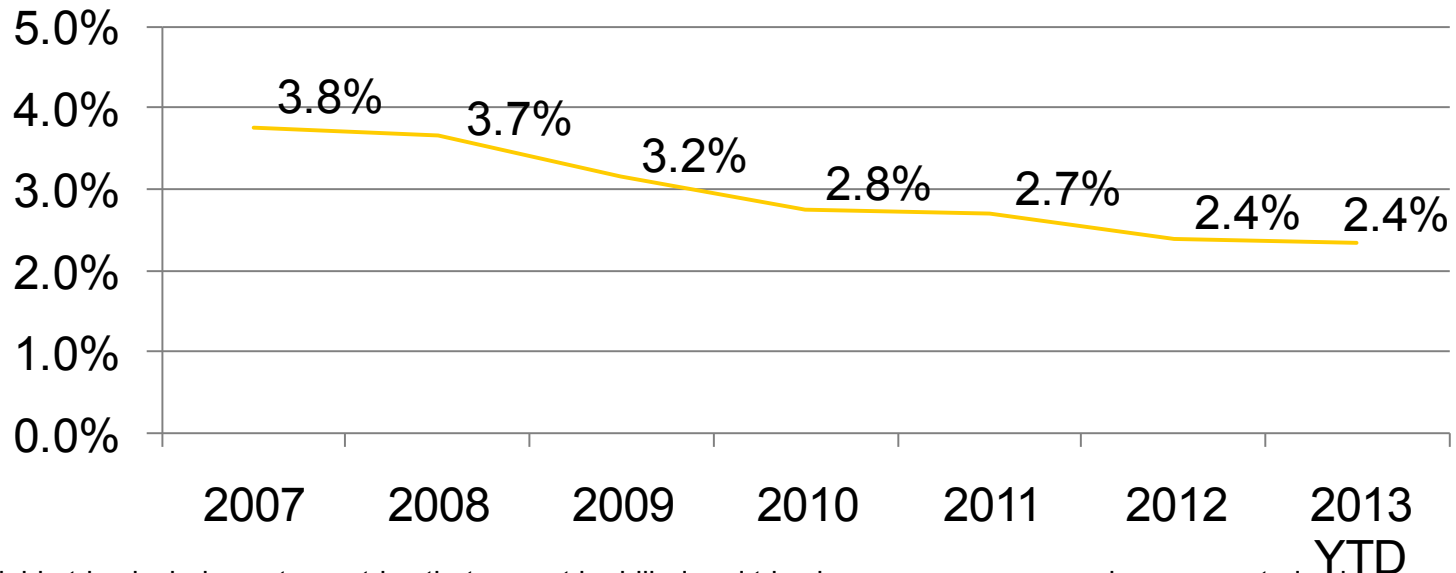


# UNBILLABLE CONTINUES TO DECLINE

» Open-access, all-electronic highway raises enforcement challenges

» Initiatives to reduce “unbillable” trips

- » Increased transponder penetration
- » Vehicle Detection and Capture upgrade (seekers, cameras...)
- » Camera replacement project (CMOS)
- » Front capture cameras – targeted deployment
- » Optical Character Recognition (OCR) Software upgrades



Unbillable trips include customer trips that cannot be billed and trips by emergency responders, exempted vehicles, employee travel and maintenance vehicles.

# 2014 CAPITAL PROJECTS: 16km of NEW LANES BETWEEN 400 / 427



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# 2014 CAPITAL PROJECTS: ASPHALT RESURFACING

- Started in 2013.
- Resurfacing of Highway 407 ETR from Trafalgar to Dundas (A total of 96 mainline lane-km not including shoulders). The project also includes arterial road interchanges and 40 bridges at various locations. Asphalt strengthening of the inside shoulders on the 407 ETR mainline are included in the contract. The total quantity of asphalt is over 194,000 tonnes and over 1,000,000 m<sup>2</sup> of asphalt grinding.
- Work to be completed by September, 2014.





# 2014 MAINTENANCE PROGRAM: PRO-ACTIVE INSPECTIONS





# 2014 MAINTENANCE PROGRAM: PRO-ACTIVE REPAIRS



# CUSTOMIZED SOLUTIONS – AUTOMATED MONITORING OF ROADSIDE EQUIPMENT

- » Automatically monitors all conditions in roadside cabinets at each interchange and will send message when a fault is detected.
- » Enhances our monitoring and deployment of maintenance/repair resources.
- » Customized design and new technologies.
- » **21 sites deployed in 2013.**
- » **17 sites planed for 2014** to complete the highway.





## ICE STORM – DECEMBER 2013: BACK UP POWER MITIGATES DOWN TIME

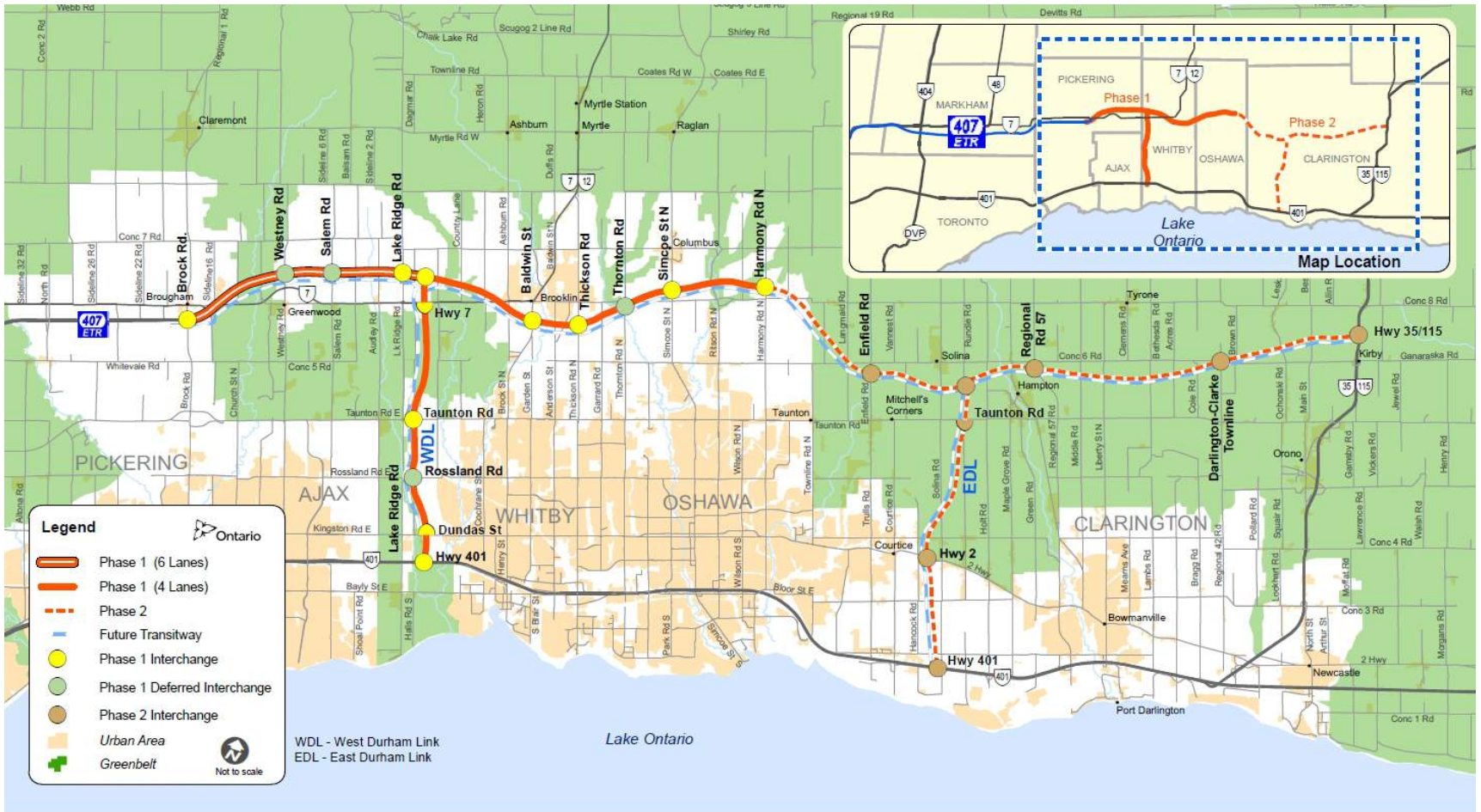


- » Several interchanges impacted for various periods.
- » New automatic transfer switches allowed “plug-in” of back up power.



- » Generators provide full power.
- » Teams of staff did refueling of generators on a 24/7 basis until full power was restored.

# 407 EAST: PHASE 1 – 407 EAST DEVELOPMENT GROUP



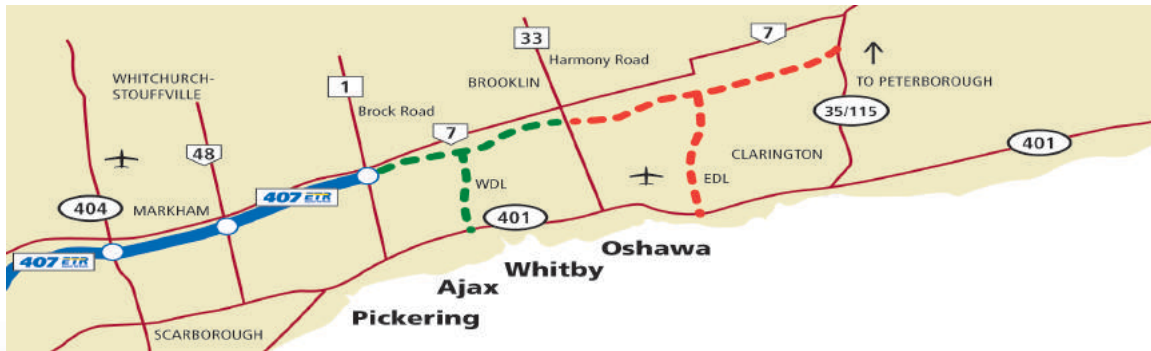
# TWO DIFFERENT PROJECTS – TWO DIFFERENT MODELS



407 ETR /407 International	407 East Development Group – Phase 1
108 km (Burlington-Pickering)	22 km (Pickering-Oshawa + 10 km WDL)
Cintra, CPPIB, SNC-Lavalin	Cintra and SNC-Lavalin
99-year Concession (1999-2098)	3+30-year DBFO (2012-2045)
407 ETR sets tolls, keeps revenues	Province sets tolls, gets revenues
Traffic risk	Availability payments – no traffic risk
Prescribed extensions & widenings	One-time construction & maintenance

## Cantoll

(Sub of 407 International) installs, updates and manages seamless tolling and backoffice system, customer service and collection. Customer gets one bill / one transponder.





# CONNECTING 407 ETR TO THE NEW HIGHWAY 407 EAST





# CONNECTING 407 ETR TO THE NEW HIGHWAY 407 EAST



October 2013

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**407 ETR**  
Express Toll Route  
**FAST. SAFE. RELIABLE.**

# PLATE DENIAL FOR DISCHARGED BANKRUPTS – MOORE CASE

- » In October 2011, 407 ETR successfully litigated the Moore case in Superior Court, which confirmed that plate denial applies to pre-bankruptcy amounts owed by a discharged bankrupt customer.
- » The Moore case was appealed by the Federal Superintendent of Bankruptcy to the Ontario Court of Appeal, with two matters at issue:
  1. “Fresh Start” principle envisioned by the federal *Bankruptcy and Insolvency Act*.
  2. Operational conflict between provincial law (regarding vehicle licensing) and federal law (the *Bankruptcy and Insolvency Act*).
- » In December 2013, the Ontario Court of Appeal found in favour of the Superintendent of Bankruptcy, setting aside the lower court decision and deciding that plate denial does not apply to discharged bankrupts since that would deny them the ability to have a “fresh start”.
- » In January 2014, 407 ETR was successful in obtaining a stay of the Court of Appeal decision pending the outcome of 407 ETR’s application seeking leave to appeal to the Supreme Court of Canada.



# PLATE DENIAL OF DISCHARGED BANKRUPTS – PROPOSED CLASS ACTION

- » In April 2012, a proposed class action commenced against 407 ETR based on the same key issues as in the Moore case (e.g. application of plate denial to pre-bankruptcy amounts owed by discharged bankrupt customers).
- » 407 ETR intends to vigorously oppose the class action, which remains at an early stage.
- » The outcome of the class action will depend on various factors, including the outcome of 407 ETR's application seeking leave to appeal to the Supreme Court of Canada, the class certification process, and potential class settlement and/or trial.
- » It is not expected that the final outcome of 407 ETR's attempted appeal of the Ontario Court of Appeal's decision or the final determination of the proposed class action will materially affect the Company's financial position.

# INCREASED CUSTOMER CHOICE AND MANAGEMENT OF OPEX (from 2010)

**Pre-auth up 72.4%**

**Paperless up 308%**

You are currently signed up to receive news and information from 407 ETR. If you would prefer not to receive emails from 407 ETR, please unsubscribe [here](#). This email was sent to [patrick@407etr.com](mailto:patrick@407etr.com) by 407 ETR. Do not reply to this email. To contact 407 ETR Customer Service, please click [here](#).

\*50 kilometre credit will be applied at the light vehicle regular zone peak hours rate of 27.20 cents per kilometre. Offer valid only on new pre-authorized payment registrations at [www.407etr.com](http://www.407etr.com) by November 30, 2013. Credit will be applied to your bill within two months. Environmental credit is non-refundable.

**Online payments up 57.3%**

**Customer calls down 11%**

- >> Every 10k customers on paperless saves 407 ETR over \$85k/yr and supports reduced use of paper. Average 15k/month new registrations.
- >> Increased web traffic has reduced customer calls – representing a value of over \$750k per year.

**Website traffic up 41.4%**



# CONFIRMING THE GOOD CHOICE

- » December 2013 report
- » Analysis of 3 data sources:
  1. Customer trip times/  
vehicle information  
(On-Board Diagnostic)
  2. Tom-Tom speed data
  3. IMS Cellular Data
- » Confirmed:
  - » Time Savings
  - » Value of Time
  - » Savings on vehicle  
maintenance costs
  - » Potential fuel savings
  - » Reliability/Dependability  
and quality of life



THE VALUE OF TRAVEL TIME AND RELIABILITY

## Commuting on 407 ETR.



[www.conferenceboard.ca](http://www.conferenceboard.ca)

REPORT DECEMBER 2013



**407 ETR**  
Express Toll Route  
**FAST. SAFE. RELIABLE.**

## CUSTOMER EXPERIENCE VIDEO

Click here to view the video at [www.407etr.com](http://www.407etr.com)



**407 ETR**  
Express Toll Route  
**FAST. SAFE. RELIABLE.**

**THANK YOU**



# INVESTOR CONTACTS

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# APPENDIX

## THE WORLD'S FIRST ALL-ELECTRONIC OPEN-ACCESS TOLL HIGHWAY

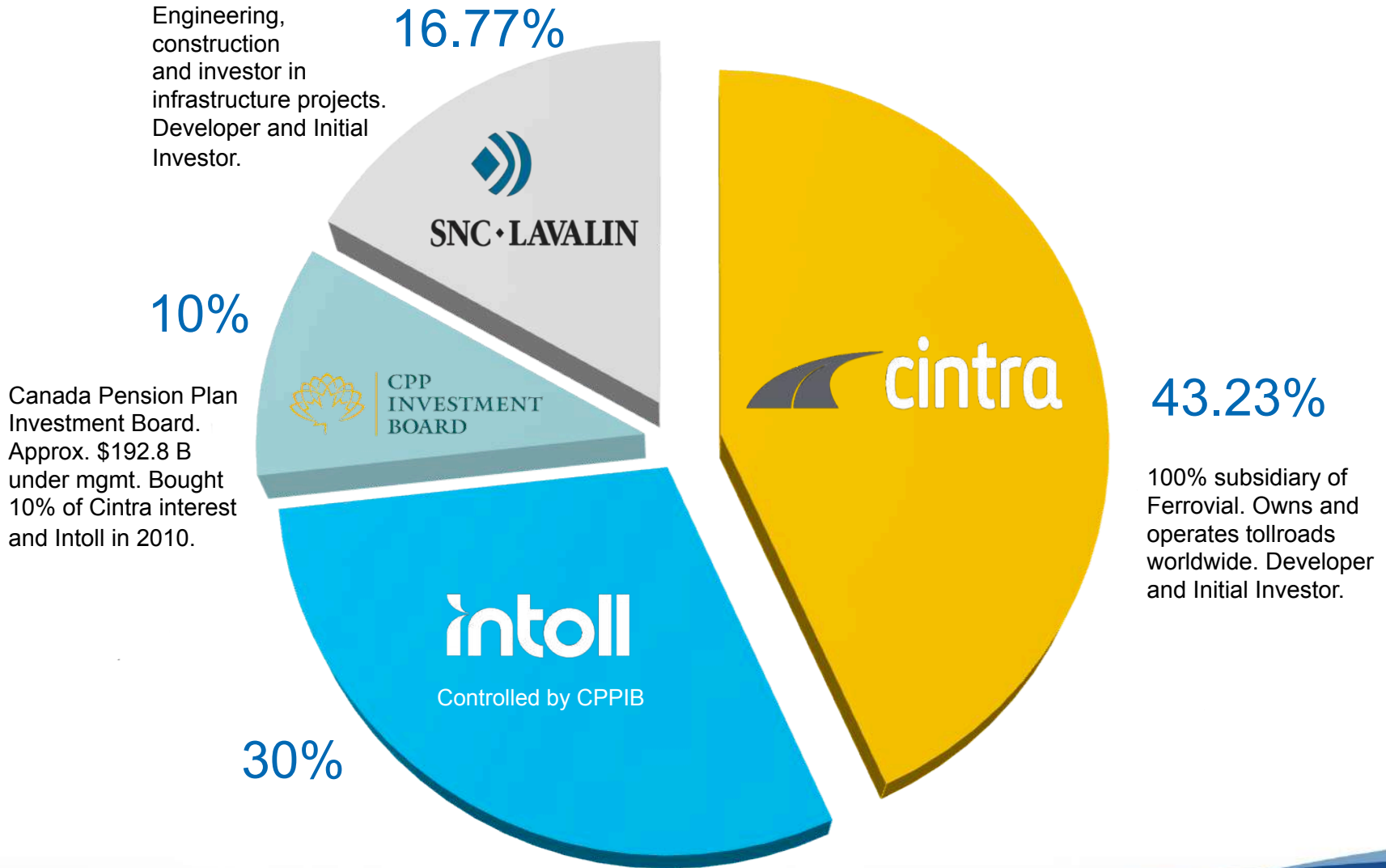
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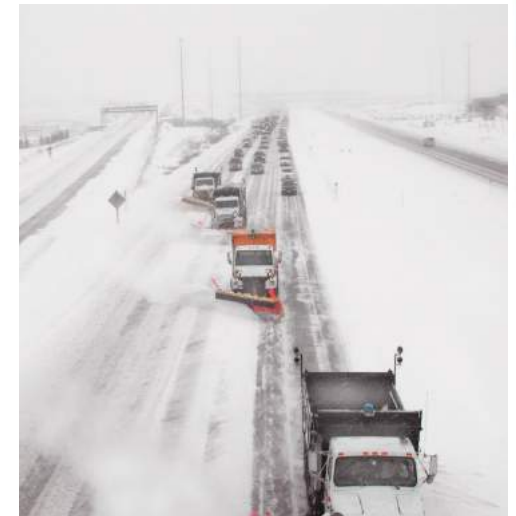


# 407 INTERNATIONAL SHAREHOLDERS



# ASSET OVERVIEW

- » Highway 407 mainline is 108 km
- » Pavement inventory 1,128 lane km (including ramps)
- » 208 structures
- » 41 Interchanges:
  - » Freeway - 7
  - » Arterials - 34
- » 198 tolling gantries (entries and exits)
- » Expanded Road Patrol – Summer/Winter
- » 7-24 Traffic Control Center (CCTV Coverage, DMS)
- » Roadside Assistance Program
- » Higher Safety Standards
- » Summer & Winter Maintenance Operation Plans
- » Incident Response Plans
- » Coordination with OPP – regular services & paid duty







**Phase One (22km):** Extension of Highway 407 East to Harmony Road in Oshawa by 2015. 407 East will be 3 lanes in each direction up to the West Durham Link and then 2 lanes in each direction to Harmony Road.

**Phase Two (23km):** Extension of Highway 407 East to Highway 35/115 in Clarington by 2020. By 2017 there will be an interim interchange at Taunton Road for the East Durham Link.

**407 ETR**  
407 ETR: 108km, with 41 interchanges and 198 on/off ramps.

○ 407 Interchange      ○ 400-Series Interchange

# Expansions

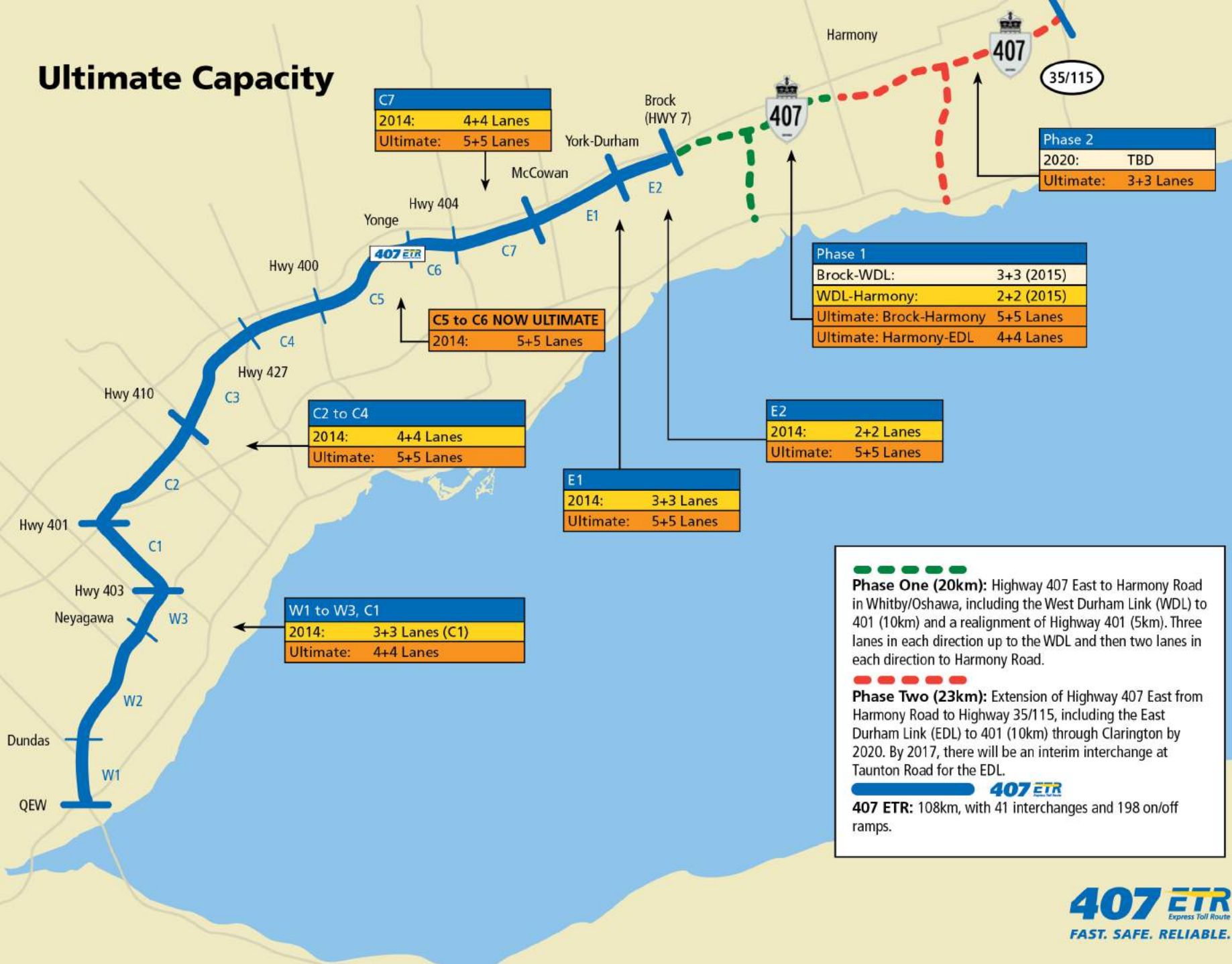
Total lanes added since 2004

A total of 205.4 new lane kilometres.



<u>Year</u>	<u>Lane Expansions</u>	<u>Length</u>
2004	401 - 410	18 km
2006	427 - 404	46 km
2006	McCowan Road - Markham Road	4 km
2007	401 - 427	47 km
2009	Markham Road - York Durham Line	13 km
2010	404 - Markham Road	19 km
2011	401 - Trafalgar Road	26 km
2012	400 - 404	32 km
<b>Total lane kilometres added</b>		<b>205 km</b>

# Ultimate Capacity





# TESTED LEGAL/REGULATORY FRAMEWORK

## » Highway 407 Act (Royal Assent - Dec 1998):

- » Powers of Concessionaire (collection of tolls, exemption of tolls, etc.)
- » Plate denial, enforcement of tolls, dispute process
- » Collection and use of personal information
- » Highway closure, emergency planning
- » Liabilities, expropriation, expansion, etc.
- » Safety standards

## » Highway Traffic Act:

- » Plate visibility
- » Powers of police officer (search and seizure)
- » Definition of toll device and transponder mounting
- » Toll evasion, sale of interference devices, etc.

# TESTED LEGAL/REGULATORY FRAMEWORK

## » Concession and Ground Lease Agreement (CGLA)\*:

- » Collection of revenues and tolling regulations
- » Operation standards, highway expansion and extension
- » Reporting, audit rights, electronic data transfer
- » Corridor control, management of 407 lands
- » Police services, enforcement
- » Dispute resolution etc.

## » Policing/Enforcement Agreements:

- » Police Services Agreement with Ontario Provincial Police
- » Truck safety and vehicle registration enforcement by MTO

*\*Available on [407etr.com](http://407etr.com)*



# SUPPORTING SAFETY ON AND OFF THE ROAD



## MISSING

Seeing a superhero conquer the world.



Don't miss out on life's best moments.

**FOCUS ON THE ROAD**



## St. John Ambulance

**SAVING LIVES**  
at work, home and play



## Accident Awareness

Explosion Evacuation Prevention

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Express Toll Route  
**FAST. SAFE. RELIABLE.**



# DONATIONS

