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LETTERHEAD OF STAKEHOLDER – SUBJECT TO APPROVAL

Her Majesty the Queen in right of Canada
as represented by the Minister of Transport
330 Sparks Street
Ottawa, ON
K1A 0N5

May 22, 2003

Dear Minister: **Air Rail Link between Toronto Union Station and the Lester B. Pearson International Airport (“Air Rail Link”)**

Greater Toronto Transit Authority (“GO”) acknowledges that Her Majesty the Queen in right of Canada (“Transport Canada”) issued a ‘Request for Expressions of Interest, Air Rail Link from Lester B. Pearson International Airport to Union Station’ (“RFEOI”) dated April 12, 2001, a copy of which was reviewed by the GO, to persons interested in financing, designing, constructing, operating and maintaining the Air Rail Link, a passenger railway service between Toronto Union Station and the Toronto-Lester B. Pearson International Airport (“LBPIA”).

GO also acknowledges that, pursuant to the RFEOI, Transport Canada qualified four respondents (each a “Respondent”). Transport Canada proposes to issue to each Respondent a ‘Request for Business Case, Air Rail Link from Toronto-Lester B. Pearson International Airport to Toronto Union Station’ (“RFBC”) dated May 2003 requesting a business case response (“Response”) for financing, designing, constructing, operating and maintaining the Air Rail Link. GO has an interest and is a stakeholder in the proposed Air Rail Link because GO owns and is responsible for the management, operation and maintenance of the Union Station Rail Corridor (“USRC”) and GO’s Bloor Station, and operates its Georgetown Service along the CN Track (as defined in the RFBC), and as such, the involvement of GO in the Air Rail Link is required.

GO understands that there are stakeholders (“Stakeholders”) in addition to GO whose collective involvement in the Air Rail Link is required, and that they are each issuing letters to Transport Canada, with respect to the terms and conditions of their involvement in the Air Rail Link. Major Stakeholders such as GO have provided in Appendix 3 to the RFBC a form of letter agreement (“Stakeholder Agreement Letter”) in favour of each Respondent which when negotiated and settled by a Respondent with the relevant Stakeholder shall form part of the Response.

GO has reviewed, the proposed elements of a conceptual alignment of the proposed Air Rail Link as described in such final draft, and the terms and conditions upon which the Respondents are to submit a Response to the RFBC to Transport Canada. GO

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understands that this letter shall be annexed to the RFBC, for the information of the Respondents.

In consideration of Transport Canada acting as a facilitator of the Process (as defined in the RFBC) and of the benefits which will accrue to GO if the Air Rail Link is financed, designed, constructed, maintained and operated by the Successful Respondent (as defined below), and of the access fees to be paid by the Successful Respondent to GO, and of other good and valuable consideration, GO hereby agrees with Transport Canada as follows.

1. The role of Transport Canada is to facilitate the Process whereby a Respondent may be selected by Transport Canada as the successful respondent ("Successful Respondent"). Such selection will then permit the Successful Respondent to enter into Final Stakeholder Agreements with each of the Stakeholders to implement the terms and conditions of each Stakeholder Agreement Letter.
2. The Air Rail Link can only be designed, constructed, operated and maintained through agreements ("Final Stakeholder Agreements") between the Successful Respondent and each Stakeholder.
3. In order for each Respondent to submit a Response, such Respondent must have certainty as to the terms and conditions on which GO is prepared to enter into a Final Stakeholder Agreement with such Respondent, should it be selected as the Successful Respondent.
4. The form of Stakeholder Agreement Letter of GO is annexed to the RFBC in Appendix 3. Such Stakeholder Agreement Letter contains mandatory terms, negotiable terms relating to the access fees and optional provisions relating to ticketing, vehicle storage, and vehicle maintenance. GO agrees that it may negotiate access fees ("Access Fees") with each Respondent and that the Access Fees may be different between Respondents. GO agrees that it shall not change any of the mandatory terms and that it shall negotiate the amount of the Access Fees and the optional provisions (if negotiated) with each Respondent in good faith. GO agrees to execute and deliver a Stakeholder Agreement Letter with such Respondent in the form annexed in Appendix 3 to the RFBC.
5. Any requests for information and data required by a Respondent from GO in connection with the Process shall be submitted to Transport Canada who will provide the GO information and data to such Respondent, provided that it has executed a confidentiality agreement in a form acceptable to GO and Transport Canada.
6. The Final Stakeholder Agreement between GO and the Respondent will have terms and provisions additional to those set forth in the Stakeholder Agreement Letter. In the case of GO, the Final Stakeholder Agreement will be comprised of a minimum of three separate agreements: the Stakeholder Agreement Letter; a development and construction agreement ("Development Agreement"); and an

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operating and maintenance agreement ("Operating Agreement"). GO agrees to negotiate all such agreements with the Successful Respondent in good faith in order that the Final Stakeholder Agreement may be settled and executed and delivered within the time periods described in the Stakeholder Agreement Letter.

7. Subject to federal and provincial funding commitments, and subject to full cooperation from CN Rail, GO shall:
 - (a) Assume all costs for a rail simulation study ("Study"), to be undertaken and approved by CN, in accordance with the report "Air Rail Link between Lester B. Pearson International Airport and Union Station, Infrastructure Requirement on CN Corridor, Final Report (CN, July 2002)" to confirm capital improvements required for a 15 minute headway Air Rail Link service. The Study will cover the entire Air Rail Link service from T1 New Station (as defined in the RFBC) to Union Station and will take into account existing and future requirements, based on a 20 year planning horizon, of all users of the CN Corridor.
 - (b) Work co-operatively with CN, and assume all costs for the design and construction of all works required to the CN Track, as approved by CN, to accommodate a 15 minute Air Rail Link headway schedule. These improvements are generally:
 - (i) all track, signal, communications and other ancillary track works;
 - (ii) the removal of all existing level crossings from the CN Track by either closing the crossing road or by providing a road / rail grade separation;
 - (iii) the West Toronto Diamond rail/rail grade separation between the CN Track and Canadian Pacific Railway's North Toronto Subdivision;
 - (iv) as required, widen or replace the decks of existing structures or provide new structures, to meet infrastructure requirements associated with the 15 minute Air Rail Link headway schedule; and
 - (v) all works required to mitigate environmental impacts.
 - (c) Assume all costs and arrange for all necessary works required for the connection between the GO Bloor Station and the Toronto Transit Commission's Dundas West Station, including but not limited to:
 - (i) improvements to the Bloor Street West underpass;
 - (ii) platform work at GO's Bloor Station including a new pedestrian tunnel;

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- (iii) providing a connection between the Toronto Transit Commission's Dundas West Station and GO's Bloor Station; and
 - (iv) improvements to GO's Bloor Station.
- (d) Undertake and assume all costs for all necessary track work required to accommodate the optional Woodbine Racetrack Station.
- (e) Undertake and assume all costs for all necessary works on the USRC and at the Union Station train shed to permit the Air Rail Link to operate at a 15 minute headway , as follows:
- (i) assume all costs to design and construct any track work required in the USRC to accommodate the Air Rail Link, including, if necessary, a rail ladder located west of Bathurst Street;
 - (ii) subject to City of Toronto and Heritage Canada approvals, assume all costs to design and construct any works required at Union Station including, if necessary:
 - (A) a new platform between Tracks 14 and 15 and a canopy over this platform;
 - (B) all staircases, escalators and elevators required to link the new platform to Union Station; and
 - (C) a new tunnel connecting Union Station to the adjacent property south of Union Station..
- (f) Obtain all approvals and assume all costs required to complete the works noted in sections 7(b), (c), (d), and (e) above ("Infrastructure Works").
- (g) Assume all costs for, and acquire, all permanent and temporary property interests required to construct the Infrastructure Works and for operational needs.
8. GO, as part of a broader environmental assessment ("EA") for improvements to GO's rail network, shall complete all EA work between Union Station and Brampton, including for the Air Rail Link. GO shall be the lead proponent with Transport Canada as the co-proponent, until the Successful Respondent is announced, shall be responsible for providing all need and justification information specific to the Air Rail Link.
9. Subject to the Successful Respondent agreeing to compensate GO, GO shall acquire, assume all costs for, and hold title to a corridor ("GO Corridor") as generally described in Schedule <"B"> to the Stakeholder Agreement Letter provided by <GO> contained in Appendix 3 of the RFBC, and shall lease the GO Corridor to the Successful Respondent at a rent of \$1.00 per year.

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10. GO shall, upon obtaining all requisite approvals, enter into an agreement with the Successful Respondent to provide the Infrastructure Works at a mutually agreed upon completion date.
11. As part of the Final Stakeholder Agreement, GO shall grant the Successful Respondent the right of access to:
 - (a) the GO Corridor and its alignments as further described in the report "Concept Level Design of the Air Rail Link (ARL) – Spur Line Feasibility Study Phase 3, Junction with CN Weston Subdivision Southerly to Terminal New (Station NTB1), Lester B. Pearson International Airport (LBPIA)", Delcan, April 2003, and the report "Provisions for Air Rail Link at Pearson International Airport", Earth Tech Canada Inc., April 2003.
 - (b) the USRC, connections into Union Station and GO's Bloor Station.
12. At the written request of Transport Canada, GO shall, subject to appropriate access approvals, permit the Respondent and its representatives to have access to the USRC, connections into Union Station, and GO's Bloor Station for the purpose of obtaining information in order to permit the Respondent to prepare its Response.
13. GO acknowledges and agrees that:
 - (a) Transport Canada shall not be a part of or involved in any negotiations between any Respondent and GO; and
 - (b) Nothing contained in this letter nor any acts of GO or Transport Canada shall constitute or be deemed to constitute GO and Transport Canada as partners, joint venturers or principal and agent in any way or for any purpose. GO shall not represent or hold itself out to be an agent of Transport Canada.
14. For the duration of the Process, GO shall negotiate exclusively with the Respondents and then the Successful Respondent in connection with the Air Rail Link and shall not, directly or indirectly,
 - (a) solicit, facilitate, initiate contact with or solicit or encourage in any manner, any inquiries or proposals or offers from,
 - (b) participate in any discussions or negotiations with,
 - (c) furnish or cause to be furnished, any information to,
 - (d) afford any access to its properties, books or records to, or
 - (e) otherwise assist, facilitate or encourage,

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any individual, person or entity, other than the Respondents or their representatives, in connection with the Air Rail Link. GO shall forthwith provide to Transport Canada a copy of the Final Stakeholder Agreement between it and the Successful Respondent, once it has been executed and delivered.

15. GO shall cooperate with Transport Canada, the Stakeholders, and the Respondents in order to facilitate the creation of the Air Rail Link and shall act reasonably with respect to any issues which arise with respect to the involvement of GO in the Air Rail Link, which are not specifically addressed in this letter or the Stakeholder Agreement Letter, contained in Appendix 3 to the RFBC.
16. This letter is a binding undertaking of GO in favour of Transport Canada, it shall be governed by and construed in accordance with the laws of the Province of Ontario and it shall enure to the benefit of Transport Canada and its successors and assigns and shall be binding upon GO and its successors.

Yours very truly,

GREATER TORONTO TRANSIT AUTHORITY

By: _____
Authorized Officer

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