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Benoît Robert
 Founder-Chief Executive Officer
 Communauto

The best worst-kept secret

Some questions take a lifetime to answer. As puzzles that remain insoluble for a long time and which occasionally earn the solvers a Nobel Prize.

Other things, in contrast, might seem quite obvious, but can sometimes be misleading.

Another conundrum is when we simply do not see something that is fairly evident. A bit like trying to find the milk carton in the fridge when it's right in front of you. As is the case with the service Communauto has established, with the aim of serving you (we hope) as best we can.

restricted to the cost of time only, an offer that is recurring more frequently in the carsharing industry. This would mean raising the hourly rate to a level that would make it difficult for many to justify the expense, in particular those who don't necessarily drive much, but who still need to use a car several times a month.

Generally, people who seldom use a car, have never owned one, or had intended to buy one, barely change their actual travel habit when signing up with Communauto. Their use is so small that they are comfortable with a more or less economical option. More frequent users, on the other hand, will be much more price sensitive.

Consider this: Let's say that using a car for three hours costs you nearly \$30 each time, regardless of how many kilometres you drove (rather than reflecting the actual use you made of the vehicle taking into account a greater or lesser number of kilometers traveled). To what extent would you accept to cut down on your number of trips because it is getting too expensive, before reaching the conclusion that you would be better off having your own car?

This may sound like a truism, but the fact remains that we have been trying for 18 years—albeit in vain—to get the carsharing industry to recognize this fact.

As such, the essence of our existence as well as our market size are connected directly to our ability to tailor our fees and rate structure to attract current and future car owners—ideally, those who have a significant need for a car and whose potential for reducing the number of kilometres driven is greatest.

Doing otherwise means shutting ourselves out of the market whose conversion to carsharing would bring the greatest environmental benefit.

This explains the energy we invested in Halifax to promote the merits of an enhanced rate structure that better fulfills our social targets (see table, page 3).

The mission we had set for ourselves also involved maximizing product positioning to make sure we satisfy needs that are unmet or underserved by other transportation providers (public transit, taxi companies, traditional car rental companies); hence the need for a flexible rate structure.

In a market where the input costs and the positioning of other players (mainly the traditional car rental companies) are constantly evolving, it is clear that this represents a challenge. But it should be noted, we firmly believe that this, to a large extent, is the secret of our success. For the industry, this is the relevance of our service and continuity of support we have received from government that are at stake.

Best to think about it now, rather than later.

Benoît Robert

“THE ESSENCE OF OUR EXISTENCE AS WELL AS OUR MARKET SIZE ARE CONNECTED DIRECTLY TO OUR ABILITY TO TAILOR OUR FEES AND RATE STRUCTURE IN A MANNER MOST LIKELY TO ATTRACT CURRENT AND FUTURE CAR OWNERS— (...) WHOSE POTENTIAL FOR REDUCING THE NUMBER OF KILOMETRES DRIVEN IS GREATEST.”

What needs do we wish to meet?

The question is worth asking, since it is the cornerstone of all our decisions; the “how” comes later.

Our decision to set up this service was motivated by a desire to propose an attractive alternative to owning a car.

Defining an offer that will most likely meet this objective might seem straightforward. However, once reality kicks in we find out it's not as simple as we first imagined. This is where the misguided nature of reality catches up and this explains why carsharing is now a service that is distinctive in a plurality of ways.

Minimizing the price of time

When replacing the purchase of a consumer product with the sale of the service it provides, the first dilemma we encounter is cost allocation.

The heart of the problem in car mobility is balancing costs for the time a car is used with costs for the distance travelled. The outcome will determine the needs we can cater to and the types of customers most likely to be interested in the service.

There really is no perfect answer. Every pricing solution is likely to discriminate against one or more types of use: if the price of time is too high, users feel rushed; if the price per kilometre increases, the trip distance and operating range of the service are affected.

In an attempt to find some middle ground, we chose to develop a range packages that will allow the maximum number of people to take advantage of the service.

Beyond this basic, commonly applied principle, we made a conscious decision to do this because we did not think it was desirable to offer a rate structure

Current rates in Halifax before and after the repositioning in 2011

| | Previous rates | New rates (since June 2011) | | | |
|---------------------------|----------------|-----------------------------|--------------|---------------|-----------|
| | | Liberty Basic | Liberty Plus | Liberty Prime | Open Plan |
| Basic rate | | | | | |
| \$/ hr. | \$ 9 | \$ 2.75 | \$ 2.75 | \$ 2.75 | \$ 5.95 |
| \$/ day | \$ 89 | \$ 27.50 | \$ 27.50 | \$ 27.50 | \$ 59.50 |
| Price per km | | | | | |
| 1-100 km | \$ - | 36 ¢/km | 29 ¢/km | 22 ¢/km | 17 ¢/km |
| > 100 km (>200 km *) | 32 ¢/km | 29 ¢/km | 22 ¢/km | 22 ¢/km | 17 ¢/km |
| Long distance | | | | | |
| \$/ day | n/a | \$ 43 | \$ 43 | 43 \$ | n/a |
| per km | n/a | 12 ¢/km | 12 ¢/km | 12 ¢/km | n/a |
| Annual dues | \$ 200 | \$ 39 | \$ 145 | 395 \$ | \$ 39 |
| Refundable membership fee | \$ - | \$ 500 | \$ 500 | 500 \$ | \$ - |

* > 200 km in the case of the previous rates.

HEADLINES

Giving you the most for your money

Minimize the proportion of costs that affect our rates and that are not directly related to car expenses: this is the ambitious goal we have set for ourselves.

Direct car-related expenses account for 65% of our budget, which means just over one third of our operating costs result from other expenses (salaries, rent, computer equipment, promotion and related expenditures...)

Is it realistic to consider offsetting the increase of input costs with better productivity and by cutting back on certain expenses?

Major efforts are being made to improve productivity, particularly in terms of IT development and revised administrative procedures, but several new avenues are also worth exploring.

For instance, one of our major cost drivers is the time range for which you can speak with an agent at the reservation center. Perhaps we should shift our focus toward answering only emergency calls in the evening?

It is worth noting that over 80% of all transactions are carried out online and most users never speak with a customer service agent. This percentage could grow with the introduction—already in the pipeline—of an option via Félix, our automated phone reservation system, that will allow users to extend a current reservation.

Managing penalty disputes is another cost burden. Barely one per cent of trips are disrupted, usually due to the wrong car being taken or a car coming back late. But with some 50,000 trips per month, this still represents 500 disputes that must be handled. In many cases, we do double-duty, since both the wrong-doer (through error or negligence) and the affected party (understandably) are dissatisfied.

The negotiations that are frequently required to settle these disputes are another major source of outlay. Our Rules and Regulations are very clear in this regard: our policy provides for penalties that cover most scenarios, and our duty, in keeping with our values (see Communauto values, next page) is to implement them fairly and consistently. It is equally clear in our Contract that we do not offer compensation to a user who has to cancel a trip because the reserved car is missing. Doing otherwise would open the door to a flood of reimbursement requests—mostly one-sided—which, in turn, would lead inevitably to greater handling charges.

Communauto is already reliable close to 99% of the time and we know that it would be unrealistic to aspire to perfection. In light of this, we need to find ways to better satisfy our customers' expectations in these situations, so as to ensure that resources are not spent unduly on managing exceptional cases.

Are we perhaps too lenient with people who try to shirk their responsibilities?

A carsharing service is not your typical run-of-the mill business. Our purpose is to manage the access to and availability of a fleet of cars at the best possible price for all our members. But there is a price to pay for competing with car ownership: not only must we make sound management decisions, we must also seek the buy-in from all our users to comply with a number of specific rules and regulations.

What can be done to strengthen the sense of solidarity within our membership to achieve this goal?

Share your ideas with us by participating in our discussion on Communopolis.com.

65 %

Percentage of costs directly related to our vehicles.

IS IT REALISTIC TO CONSIDER OFFSETTING THE INCREASE OF INPUT COSTS WITH BETTER PRODUCTIVITY AND BY CUTTING BACK ON CERTAIN EXPENSES?

SEND US YOUR COMMENTS ON COMMUNOPOLIS.COM

Good news out of Halifax!

In 2011, CarShareHFX saw its user base grow by an impressive 60% and has now passed the 650-subscriber mark.

This achievement crowns a year in which 66% of existing members signed up for our popular new rate structure launched in Halifax last June.

These remarkable figures demonstrate that it is possible to make a carsharing service more appealing by significantly reducing prices, without jeopardising its profitability. And this is what we had set out to prove.

These results can be attributed to an increase in car use: over a six-month period, the number of car trips per month rose by 24% while the average daily hourly car use skyrocketed by 73%, or from 5.2 hours to 9 hours per day.

To meet the growing demand and ensure adequate availability, four vehicles were added to the fleet (+40%).

In 2012, we intend to build on this momentum and plan to increase the CarShareHFX fleet by another 50%, for a total of 20 cars.

We will also continue to closely monitor the impact CarShareHFX's enhanced rate structure has on members' consumption and travel patterns.

Communauto's partnership with CarShareHFX is the result of a shareholder agreement signed between the two carsharing companies in February 2011 (see L'écho-mobile, April 2011 - vol.XII, no.1).

Communauto's values

During our last biannual employee meeting, in November, we performed an exercise to update and define our values.

This activity was enormously important, because "Communauto's values" form the framework which shapes the way our employees interpret and apply our operating rules. This framework expresses, *de facto*, Communauto's commitment.

In the day-to-day management of a service whose quality relies on collaboration, it is virtually impossible to enforce, without nuance, the maxim "the customer is always right". More often than not, we find ourselves acting as both judge and party. As a reference framework, our values are essential in encouraging our employees to become more self-reliant in resolving the various issues that may arise.

T.E.R.R.E

Values that guide our choices, our actions and our decisions

TRANSPARENCY / To be open, communicate, share information, follow clearly defined procedures. Explain our choices, our actions, and our decisions. Stick to the facts. Be objective. Explain the reality of the situation with integrity and honesty, without distorting the facts.

EQUITY / A value that dictates our behaviour and inherent sense of what is right and wrong; of showing respect, justice and impartiality when considering what is rightfully owed to each person.

Equity complements and strengthens the value of justice by adapting and respecting the spirit of the established rules in situations where the strict application of equal treatment does not

provide a satisfactory solution. In our specific context, whenever there is a need to adapt, it must be done by striking a proper balance between individual and collective rights.

RIGOUR / The quality of a person or an organization distinguished by their discipline, logic, precision and refusal to be sloppy, in compliance with established requirements; by the accuracy and relevance of sources and references as well as the facts used to support their choices, their actions and their decisions.

RESPONSIBILITY / Ability to meet one's obligations, perform one's duties, and bear the consequences of one's actions with respect to the organization's mission and values; to be accountable.

EMPATHY / Ability to share someone else's feelings or experiences, while maintaining an appropriate distance to preserve equity and impartiality.

Upsurge of theft and vandalism in Montreal and Québec City

USING A VEHICLE WITHOUT A RESERVATION, EVEN INADVERTENTLY, IS AN "EXTREME SPORT".

IF THE ACT IS DELIBERATE, THE OFFENSE IS CONSIDERED CRIMINAL AND WILL RESULT IN CHARGES.

At the end of last summer (August and September) and more recently, since February, our vehicles have been subject to many thefts and acts of vandalism. We apologize for any inconvenience this situation may have caused and assure you that we are putting everything into place in order to control the situation as best we can.

To address this problem, we have so far received excellent support from the police and several arrests have already been made. The strategies implemented to achieve this do however have requirements: when we are targeted this way, we

must act quickly once a vehicle is reported missing. Therefore, we ask that you be vigilant and note the vehicle number that you have reserved rather than relying solely on your memory, as taking the wrong car may lead to an arrest.

Using a vehicle without a reservation, even inadvertently, is an "extreme sport". If the act is deliberate, the offense is considered criminal and will result in charges.



New of our electric vehicle project

INSTRUCTIONS

1. If you realize that you will not be able to complete your trip to its destination and that it's too late to turn back, do not wait until the battery runs out to ask us for the roadside assistance number. This way, we will be able to tow the car to your starting point and you will be able to drive it to the charging dock rather than having to be towed to the Nissan dealer (forcing you to return later to bring the vehicle back to its station...).
2. Before leaving, make sure the 120V charging cable is in the trunk.
3. You will be charged a general penalty if you forget to plug-in the vehicle when you return.

Results from the first weeks of open access

Everything has been going smoothly since we allowed full access to our electric vehicles in mid-January. Very few problems have been reported and the number of times a vehicle has succumbed to "turtle mode"* can be counted on one hand. The absence of problems is not from a lack of interest, as many of you used the electric vehicles; proving that everyone has done their homework and looked over the documentation we put at your disposition. For this, we thank you!

The next step of our project is to increase the number of reservations per day (currently limited to one) and to allow reservations to last more than a day. An intern is currently analyzing the data which will enable us to optimize the use of the electric vehicles while taking into account the charging needs between reservations.

We will receive, in a few weeks, the 25 electric vehicles still on order to achieve our target of 50. In the meantime, please take a look at the helpful instructions to follow before you reach "turtle mode".

**Turtle mode occurs when the electric vehicle has less than 5km of driving range left which it activates battery saving procedures such as capping your maximum speed.*

Our electric vehicle project is being talked about as far out as London

As we have written a few times already, our "electric project" is, to date, the most important electric vehicle project for the public in Canada and one of the most important in North America (to not say the world). This has generated a tremendous amount of interest, far beyond our borders.

For this reason, Communauto was invited by the International Association of Public Transport (UITP), on February 27th, to present its project in London as part of the combined mobility workshops.

Mr. Marco Viviani, development and public relations director, represented Communauto for the occasion. You can find the PDF version of his presentation at: www.communauto.com/londres2012.pdf.

It is now possible to reserve by yourself a vehicle at the *Long Distance* rate 24/7

Automation of reservation quota management

If you are registered to the packages A, B or C, it is now possible to reserve a vehicle at the *Long Distance* rate 24/7.

With the daily rate reductions announced for April, you will be able to take advantage of these rates more frequently. This improvement will make it easier than ever to go *Long Distance*.

In order to maintain an optimal balance between the supply and demand of vehicles, only a certain percentage of the vehicles (depending on the days of the week and time of the year) will be available for *Long Distance* rate reservations. It is thus possible that vehicles will be available in your sector, but that you don't see them if you have selected "Long Distance"

in the "REQUESTED RATE" menu. You simply have to change your selection to see all available vehicles.

Remember that even if you can get a Communauto at the *Long Distance* rate, it is still possible to take advantage of our *Network Reservations* agreements to get a vehicle at a great price with one of our partners. The implementation of reservation quotas, along with a pricing policy which promotes the complementarity between our self-serve vehicle service and traditional car rentals remains the best way to get the "best of both worlds".

Take advantage of it!

Starting April 1st,
Long distance
rates are **\$27.95**
per day
every day!

Network Reservations rates How to get the best of both worlds

More affordable to use the *Network Reservations*

Even with the fare reduction announced for April, it is still possible, on weekends, if you have a Gold credit card or its equivalent, to get a vehicle at a better price with the *Network Reservations* for your *Long distance* trips, than if you were to use a Communauto vehicle.

Compare the prices

Moreover, in the highly competitive environment prevailing within the car rental industry, it happens

(particularly during the low season) that a current promotion will lead to a lower rate than the ones negotiated by Communauto.

For this reason, before placing a reservation with us, compare the rental companies' prices with the ones we display: www.communauto.com/locateurs/tarifs.html.

It's up to you to take advantage of all the options available to optimize the cost of your trips!



BIXI-AUTO is back in 2012

Communauto is proud to maintain its partnership once again in 2012, by offering a \$10 credit to Communauto members who subscribe or renew their subscription to BIXI.

Any credit you are entitled to will be granted on your Communauto account.

This offer is only valid for one year subscriptions made on BIXI's website. If you were already registered to BIXI in 2011, you must wait until you renew your BIXI subscription to be able to take advantage of this offer again.

Meanwhile, welcome to the new BIXIclists!

FLASH NEWS

Communauto gives you access to Gatineau Park this summer!

Once again this year, Communauto is proud to offer the perfect escape to Gatineau Park, the Capital's Conservation Park, with season passes which will soon be present in all the Communauto vehicles in the Gatineau region.

With this pass, enjoy Gatineau Park for free, as well as its beaches and the Mackenzie-King Estate.

For more information on the activities at Gatineau Park, go to the following address: www.capitaleducana.gc.ca

Reservation Confirmation

Our online reservation module is available 99.99% of the time, but it does happen that our website may be unavailable for short periods of time (rarely more than 20 minutes) for updates or for the maintenance of our servers.

For this reason, we recommend that you check the option "I WANT AN E-MAIL CONFIRMATION OF ALL RESERVATIONS ... **made online by myself**" in addition to "... **made over the phone**". This option is available in the "Personal Information" section of RESERVauto which will allow you to have access at all times to information about your reservations.

Lack of access to this information is not a justification for using a vehicle that may not be assigned to you. All penalties related to an UVW (using a vehicle without a reservation) will apply in case of non-compliance with this instruction.

Next Communauto employee biannual meeting

This spring, our meeting will take place on the **9th** and **10th** of May. During those two days, our administrative services will be exceptionally closed.

These meetings are very important for the management team to exchange information on our projects with the entirety of our staff. We thank you in advance for your understanding.

WE'RE HIRING

Our subscribers make for great employees!

As Communauto continually grows, new horizons open allowing us to offer new challenges to qualified and committed people.

Communauto is currently looking for a:

... Customer service team leader at our Montreal office.

... Customer service representative at the Montreal office.

For more information, go to "We're hiring" in the News section of our website.

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