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1977 ANNUAL REPORT



TORONTO TRANSIT COMMISSION

November 15, 1978

Paul V. Godfrey, Esq., Chairman
And Members of the Council of
The Municipality of Metropolitan Toronto
City Hall
TORONTO, Ontario

Ladies and Gentlemen:

The following is the Annual Report of the Toronto Transit Commission for the year 1977.

1977 was a year of restraint with no major changes in operations compared with 1976.

Gross revenue increased by \$5,623,000 or 4.3% to \$137,729,000 reflecting mainly a full year's impact of the fare increases implemented in February and March, 1976. Gross expenses increased by \$12,315,000 or 7.3%, predominantly due to higher labour rates and increased prices of materials and supplies. The Commission's Excess of Expenses over Revenue increased by \$6,692,000 or 18.8% to \$42,252,000. As in previous years this was assumed by the Municipality of Metropolitan Toronto which received a subsidy of approximately 50% from the Province of Ontario.

Passengers carried decreased by 1,926,000 or .5% to 348,707,000 and miles operated by 1,647,000 or 1.7% to 94,448,000. After adjusting for calendar differences between the two years however, the decreases were only .1% for passengers and 1.4% for miles operated.

The Commission's capital investment for the year totalled \$108.8 million, the major construction project being the 6 mile Spadina Rapid Transit extension. The opening of this extension was originally scheduled for October, 1977 but as a result of an electricians' strike the opening was postponed to January, 1978.

Study of the long term financing of the Commission's operating expenditures continued in 1977. Following the Province's decision to change its basis of payment of subsidy from a percentage of the deficit to a percentage of gross operating costs, the Commission, in April 1977, produced the Transit Revenue Policy Study report. This report examined the history

of transit finances in Toronto and discussed and evaluated the Commission's operating and financial position at the time of the report. A number of operating revenue options were developed for the period 1977 - 1981, with attention to the following matters:

- The proportion of operating revenue to be covered by fare revenue.
- Policy objectives of the Provincial and Metropolitan Governments with respect to the T.T.C. operating subsidies.
- The Commission's fare policies and fare systems, including a thorough examination of a range of alternatives to the flat fare system.

The report led to the establishment of a special Provincial and Metropolitan (including T.T.C.) intergovernmental Committee on Transit Financing, which was charged with the responsibility of reviewing and developing transit objectives and subsidy policies. Agreement was reached on a formula whereby the Province will provide approximately 15% of transit operating costs (including expenditures made directly by Metro), the Commission will provide, through its farebox and other revenue, approximately 70% and Metro will assume the remainder, approximately 15%. It is intended that this 70:15:15 sharing of costs will be maintained for future years.

During 1977, the Commission undertook a review of its organization, the objective being to strengthen the managerial capability and establish a management structure geared to cope with present and future challenges.

The participative review was completed in September and resulted in recommendations for a number of changes in Senior Management positions to effect its objectives.

The changes which were approved by the Commission are summarized as follows:

- Mr. J.H. Kearns, General Manager - Operations, was appointed President and Chief Executive Officer of Gray Coach Lines.
- Mr. J.T. Harvey, General Manager - Subway Construction became General Manager - Operations.
- Mr. P.J. McCann, Chief Engineer - Subway Construction became General Manager - Engineering and Construction.
- Mr. R.G. Waite, Assistant General Manager became Executive Director - Operations.

- Mr. H.E. King was appointed Manager - Human Resources with Mr. E. Shaw the Director of Personnel and Mr. G.M. Break, newly created Director of Labour Relations, reporting to him.
- Mr. J.H. Sansom, Director of Planning was appointed Manager - Transit Planning.
- A new Corporate Planning position was established and Dr. J. Pill was appointed Manager - Corporate Planning.
- A Manager of Management Services position was also established to be filled by Executive Search.

A number of changes were made on the line structure of departments, and new reporting relationships established. Along with organizational changes, a new formula for staff committees was established to create an integrating linkage to effectively tie the new structure together.

It is the belief of the Commission that it will provide the Management capability to obtain the goals implicit in its modern role.

Other projects included:

- An expanded and more aggressive marketing program was implemented based on the T.T.C.'s first comprehensive attitudinal survey of riders and non-riders;
- Route criteria and service standards were further developed;
- Strengthened security measures were developed in co-operation with the Metropolitan Police and have been implemented throughout the system;
- The Commission's objective of supporting community land use goals has been reflected in the design and approval of the Scarborough Light Rail line;
- A blueprint for improving the operation of surface transit service was developed in co-operation with Metro Planning and Roads and strongly advocated by the Commission;
- And, in its relations with its unions, the Commission has worked to establish the importance of restraint, productivity improvement and two-way bargaining.

The following pages cover the detailed financial and operating results for 1977.

FINANCIAL

OPERATING REVENUE AND EXPENSES

The Commission's revenue and expenses for 1977 compared with 1976 are summarized as follows:

	<u>1977</u>	<u>1976</u>	<u>Increase (Decrease)</u>	<u>%</u>
		(Thousands of Dollars)		
Revenue	137,729	132,106	5,623	4.3
Expenses	<u>179,981</u>	<u>167,666</u>	<u>12,315</u>	<u>7.3</u>
Excess of Expenses over Revenue	<u>42,252</u>	<u>35,560</u>	<u>6,692</u>	<u>18.8</u>
Passengers (Thousands)	348,707	350,633	(1,926)	(0.5)
Vehicle Miles Operated (Thousands)	94,448	96,095	(1,647)	(1.7)
Excess of Expenses over Revenue:				
Per Passenger	12.1¢	10.1¢	2.0¢	19.8
Per Mile	44.7¢	37.0¢	7.7¢	20.8

Revenue

The Commission's gross revenue for 1977 compared with 1976 was as follows:

	<u>1977</u>	<u>1976</u>	<u>Increase</u>	<u>%</u>
		(Thousands of Dollars)	of Dollars)	
Passenger Services	132,529	127,919	4,610	3.6
Other Revenue	<u>5,200</u>	<u>4,187</u>	<u>1,013</u>	<u>24.2</u>
	<u>137,729</u>	<u>132,106</u>	<u>5,623</u>	<u>4.3</u>

The increase of \$4,610,000 in passenger services revenue resulted from a full year's effect of the fare increases introduced in February and March, 1976. This increase was partly offset by the decrease of 0.5% in passengers carried in 1977. This decrease was largely due to calendar variations between the two years; 1977 had two less week days and one more Saturday than 1976, a leap year. On a comparable day basis the decrease in passengers was 0.1%.

Passenger Services revenue included \$5,281,000 (1976 - \$5,164,000) subsidy from the Municipality of Metropolitan Toronto to allow Senior Citizens to travel at half fare and the Blind and War Amputees to travel free. Also included is \$1,382,000 revenue from the operation of charters and special services (1976 - \$1,371,000).

The average fare collected in 1977 was 37.61¢ compared with 36.09¢ in 1976, an increase of 4.2%.

The fare structure introduced in 1976 remained in effect until December 31, 1977 and was as follows:

	<u>Tokens</u>	<u>Tickets</u>	<u>Cash</u>
Adult	5 for \$2.00 15 for \$6.00	5 for \$2.00 15 for \$6.00	50¢
Scholar	-	5 for \$1.00	25¢
Senior Citizen	-	5 for \$1.00	-
Child	-	8 for \$1.00	15¢
Family Pass (Sunday or Holiday riding)	-	\$1.25*	-

*Reduced from \$1.75 on July 1, 1977

Other revenue is summarized and commented on below:

	<u>1977</u>	<u>1976</u>	Increase (Decrease)	%
		(Thousands of Dollars)		
Rental Income	2,053	2,185	(132)	(6.0)
Advertising Space Rental	1,876	1,556	320	20.6
Profit on Sale of Land	484	-	484	
Sale of Student Passes	308	-	308	
Other	<u>479</u>	<u>446</u>	<u>33</u>	<u>7.4</u>
	<u>5,200</u>	<u>4,187</u>	<u>1,013</u>	<u>24.2</u>

The rental income decrease resulted from the Richmond Hill service becoming part of the TATO A G.O. Transit service in November, 1976 and renting its equipment from Gray Coach Lines rather than from the Commission. Advertising space rental increased significantly due to increases in rates and volume. Sales of the new students' identification cards accounted for \$308,000; the costs of production and distribution, \$300,000, are included in operating expenses.

Expenses

Expenses for 1977 totalled \$179,981,000, an increase of \$12,315,000 or 7.3% compared with 1976. These expenses are summarized as follows:

	<u>1977</u>	<u>1976</u>	Increase (Decrease)	%
	(Thousands of Dollars)			
Wages, Salaries and Other Employee Costs	137,620	128,334	9,286	7.2
Materials, Services and Supplies	15,169	14,353	816	5.7
Electric Traction Power	8,477	6,742	1,735	25.7
Automotive Fuel including Provincial Taxes	6,059	5,877	182	3.1
Vehicle and Other Licenses	316	305	11	3.6
Municipal Taxes	2,047	1,800	247	13.7
Public Liability Costs	1,708	1,559	149	9.6
Depreciation	6,360	6,365	(5)	(0.1)
Debenture Interest	<u>2,225</u>	<u>2,331</u>	<u>(106)</u>	<u>(4.5)</u>
	<u>179,981</u>	<u>167,666</u>	<u>12,315</u>	<u>7.3</u>

Labour costs, which accounted for 77% of total expenses in both 1976 and 1977, continue to increase mainly due to the effect of negotiated labour settlements.

A one year agreement was negotiated with Local 113 of the Amalgamated Transit Union to provide a 6% increase in wages together with certain fringe benefit improvements effective July 1, 1977. Generally comparable increases were given to members of other unions and to staff employees. The increases granted complied with Anti-Inflation Board guidelines.

Costs of materials, services and supplies have increased mainly due to price increases.

Electric traction power increased by 25.7% from \$6,742,000 in 1976 to \$8,477,000 in 1977, following a January, 1977 rate increase by Toronto Hydro of 31%.

Increases in municipal taxes of \$247,000 or 13.7% reflect a full year's taxes for Wilson Garage, which opened in March, 1976, together with an average mill rate increase of 11.5%.

CAPITAL ASSETS

During 1977 the Commission increased its investment in capital assets by \$108,842,000 as detailed below:

Subway Extensions and Improvements

(Thousands of Dollars)

Spadina Rapid Transit	71,538	
Bloor-Danforth, extensions to Kennedy and Kipling	8,671	
Subway Cars, net of amounts charged to Spadina and Kennedy/Kipling extensions	16,533	
Other	<u>3,178</u>	99,920

Surface Assets

125 Light Rail Vehicles (progress payments)	5,043	
59 Buses	4,507	
Other	<u>1,817</u>	<u>11,367</u>

Less Assets Retired, mainly buses 2,445

Net Increase in Investment 108,842

As at December 31, 1977 the Commission's investment in capital assets and the funding therefore is summarized as follows:

	<u>Cost</u>	<u>Metro and Provincial Contributions</u>	<u>Net Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
	(Thousands of Dollars)				
<u>Capital Assets in Use</u>					
Subway System including subway cars	477,161	361,471	115,690	55,150	60,540
Surface System including revenue vehicles, land and buildings and surface track	<u>125,049</u>	<u>28,135</u>	<u>96,914</u>	<u>74,579</u>	<u>22,335</u>
	<u>602,210</u>	<u>389,606</u>	<u>212,604</u>	<u>129,729</u>	<u>82,875</u>
<u>Subway And Other Assets Under Construction</u>					
Spadina Rapid Transit	186,823	186,095	728	-	728
Bloor-Danforth, Kennedy and Kipling Extensions	22,333	22,333	-	-	-
134 Subway Cars (excluding amounts charged to Bloor- Danforth, Kennedy and Kipling Extensions and Spadina Rapid Transit)	17,645	17,645	-	-	-
125 Light Rail Vehicles	13,559	13,559	-	-	-
Other	<u>2,612</u>	<u>2,229</u>	<u>383</u>	<u>-</u>	<u>383</u>
	<u>242,972</u>	<u>241,861</u>	<u>1,111</u>	<u>-</u>	<u>1,111</u>
<u>Total Capital Assets</u>	<u>845,182</u>	<u>631,467</u>	<u>213,715</u>	<u>129,729</u>	<u>83,986</u>

FINANCING OF EXPENDITURES

(a) Operating Expenditures

In 1977 the Ontario Ministry of Transportation and Communications implemented a new basis for subsidizing public transit operations.

From 1971 to 1976 the Commission's operating deficits were assumed by the Municipality of Metropolitan Toronto, which in turn received from the Province approximately 50% of its expenditures for public transit purposes. In 1977 the Province revised its policy to pay subsidies calculated on operating costs, including payments made directly by the Municipality (mainly debenture debt payments).

The new formula was adopted by the Province after meetings between representatives of the Commission, the Municipality and the Ministry of Transportation and Communications. It provides for a Provincial subsidy of 13.75% of eligible operating expenditures for transit purposes plus 50% of start-up costs and notional operating deficit for the first three years of major new transit facilities, such as the Spadina Rapid Transit extension.

Based on projected future operating expenditures the cost sharing between the three parties will be approximately as follows:

TTC (Farebox and Other Revenue)	70%
Metro Contribution	15%
Provincial Subsidy	15%

For 1977 the actual cost sharing was as follows:

(Thousands of Dollars)

TTC Revenue	137,729	70.1%
Provincial Subsidy	26,798	13.6%
Metro Contributions	<u>32,070</u>	<u>16.3%</u>
Total Transit Operating Expenditures including Metro Direct Expenditures	<u>196,597</u>	<u>100.0%</u>

(b) Capital Expenditures

There were no changes in the basis of financing of capital expenditures in 1977. The Province continues to pay a 75% subsidy on most capital expenditures, while Metro assumes the 25% residual cost of subway construction and light rail vehicle costs. The Commission assumes the unsubsidized cost (usually 25%) of other capital assets, principally buses and other assets for the surface system.

For 1977, capital expenditures and their financing are summarized as follows:

	<u>Total</u>	<u>Provincial Subsidy</u>	<u>Metro Contribution</u>	<u>TTC Contribution</u>
		(Thousands of Dollars)		
Subway	99,919	65,572	33,520	827
Surface	<u>11,368</u>	<u>8,140</u>	<u>1,261</u>	<u>1,967</u>
	<u>111,287</u>	<u>73,712</u>	<u>34,781</u>	<u>2,794</u>

FINANCIAL STATEMENTS
AND AUDIT

Price Waterhouse Co., the independent Chartered Accountants retained by the Commission, have reviewed the accounting procedures and made such tests of the accounting records for 1977 as they considered necessary. Their report is appended to the financial statements which are a part of this report.

The Metropolitan Auditor has submitted his report covering the year 1976 and is currently engaged on his review of the 1977 accounts.

OPERATIONS

At the year end, preparations for the opening of the Spadina subway on January 28, 1978, were in high gear. An extensive program of surface route changes associated with the subway was ready to be implemented; new subway cars were undergoing exhaustive tests in the shops and in actual service; a subway training program for 420 operators was well underway; and the new Wilson Subway Shop and Yard was partially staffed, equipped and preparing the new cars for service.

SERVICE EXTENSIONS

The following major route extensions and service improvements were made in 1977:

BRIMLEY 21B - A new rush hour branch between Warden subway station and Milner Avenue and Neilson Road.

FINCH WEST 36C - A new rush hour branch between Finch subway station and Humber College.

JANE 35C - A new rush hour branch between Jane subway stations and the Driftwood-Niska Road area.

MARKHAM ROAD 102 - Rush hour looping enlarged from Tapscott Road to include Neilson Road.

MOUNT PLEASANT 74 - Route converted to electric trolley buses.

VICTORIA PARK 24B - Northern looping facility enlarged from Gordon Baker Drive to McNicoll Avenue.

In addition to the foregoing changes, routing and scheduling improvements were made on the following routes: LEASIDE, SHEPPARD EAST, FINCH WEST, SHEPPARD WEST, YORK MILLS, MARTIN GROVE, EGLINTON EAST, KENNEDY and ANGLESEY.

PASSENGER VEHICLE FLEET

At the year end, the number of vehicles owned was as follows:

	<u>1977</u>	<u>1976</u>
Street cars	354*	358*
Subway cars	534	494
Motor buses	1,235**	1,219
Trolley buses	<u>151</u>	<u>151</u>
	2,274	2,222

*Includes active and stored vehicles and Witt car #2766

**Includes four mini-buses previously leased

During 1977, fifty-nine new buses were placed in service and forty-seven buses which had reached the end of useful service were disposed of during the year.

Forty of the 134 subway cars ordered from Hawker Siddeley Canada Limited in 1975 were received in 1977.

MANPOWER AND LABOUR RELATIONS

Applications for employment in 1977 totalled 17,025 compared to 18,093 in 1976. The turnover rate for active employees, excluding retirements and deaths, was 3.6%. This is slightly lower than the 1976 turnover rate. Generally speaking, the Commission's manpower requirements were met without difficulty. Problems were experienced from time to time in recruiting candidates for specialized positions.

The collective agreements with the Commission's unions were re-negotiated during 1977. All settlements were for a one-year period and were within A.I.B. guidelines. In 1978, the agreement to be negotiated with Local 113, A.T.U., the largest union, will not be subject to A.I.B. guidelines.

A special clinic was established during the year to provide medical examinations for employees required to convert their drivers' licences to the classifications specified under new provincial regulations. Approximately 3,000 employees took advantage of this clinic. Also, in 1977, the Organizational Renewal Program resulted in the establishment of separate Personnel and Labour Relations Departments within the Human Resources area.

TRACK AND ROADWAY

During the year, major track repair work was carried out on Gerrard Street, Carlton Street, York Street, Broadview Avenue, St. Clair Avenue, Dundas Street, and Bay Street. The work was co-ordinated with the City of Toronto and Metro Pavement renewal programs. Worn rail was replaced at twenty-one car stop locations and curved rail on the Yonge-University subway was replaced at five locations.

In addition, track installation was completed on the Spadina subway and by year end the main operating area of Wilson Yard was ready for operation. Track installation was also completed in the storage area of the Yard.

SAFETY

The Commission is pleased to report that its operators and drivers again won North America's highest award for transit safety in 1977, the American Public Transit Association Silver Plaque. In 1977, the TTC surface system accident rate was an all-time low of 4.1 traffic and passenger incidents per 100,000 miles of surface operation. Winning the 1977 award marks the ninth time in eleven years that TTC drivers have led the continent in transit safety, an achievement unprecedented in the 64-year history of the competition. Over the past ten years, TTC operators and drivers have cut the transit accident rate by 45 percent.

The Commission's safety record was further enhanced at the 1977 American Public Transit Association Second National bus Rodeo held in Atlanta, Georgia, where TTC driver Bill Moore of Wilson Division defeated competitors from across Canada and the U.S.A. to become North America's champion bus driver.

Safety awards, including one American Public Transit Association gold award and six silver awards for 1,000,000 and 500,000 man hours respectively without a disabling injury, were made to other TTC work groups.

In the Commission's "Zero Injury Contest" program, thirty-four awards were made for safety performance among the forty-two competing work groups. Special mention should be made of Equipment Department employees (Parkdale Shop - Unit Overhaul and Free Stores Section) who, during 1977, accumulated 800,000 injury free hours.

TRANSIT SECURITY

The programme to improve passenger security and communication throughout the subway system which began in 1976 was completed in 1977. The passenger assistance alarm designed to provide passengers with direct contact with the train crew in the event of an emergency was used effectively for reasons such as illness, accidents or security related incidents.

Public telephones were installed at platform level at all stations to provide patrons with the facility to obtain assistance from Bell Canada Operators.

On the surface system, the special alarm to be used by drivers in emergency situations also proved effective for operating personnel in obtaining assistance from pedestrians and passing police patrols.

During the year, Security Staff were involved in many community projects such as Police Week and regular displays in shopping malls contributing to the public's understanding of security on the transit system. It is estimated that more than 110,000 pamphlets on Transit Security were distributed.

Security staff were also involved in training programs designed to provide Commission employees and Metro Police officers with a familiarization of security and emergency equipment and procedures.

Security Investigators also received special training designed to better equip them to deal with the multi-cultural community of Metropolitan Toronto.

ROUTE CRITERIA AND SERVICE STANDARDS

Early in 1977, the Commission approved in principle the report entitled, "Standards for Evaluating Existing and Proposed Routes - Policies for Discussion".

The report, which was subsequently distributed to the Province, Metro, local boroughs and other interested agencies and groups for review and discussion, summarized approximately one year's work by TTC officials and staff on the development of more effective methods to measure the performance of the TTC's existing transit services. Standards and guidelines which could be used by the Commission in decisions concerning proposed new routes and extensions to the transit system were also developed. Factors such as route economics, access, transit dependency, transit travel time, land use planning and physical constraints were considered in the evaluation process.

The release of the report as a working paper prompted much valuable input from a number of agencies and individuals and this information combined with further refinements developed by TTC staff was included in a revised report issued in the summer.

NEW STUDENT PHOTO I.D. CARDS

To stop the increasing use of half-fare student tickets by persons not entitled to ride at the reduced rate, the Commission, in 1977, approved issuing new photo I.D. cards at all schools at a cost to students of \$1.75 each. Cards issued

previously did not contain a photo and were subject to abuse. Approximately 600 Metro elementary, intermediate and secondary schools were visited by photography units shortly after school began in the Fall and the new cards, bearing the student's picture, were issued immediately after the photos were taken. A special central photo facility was also established at Sherbourne subway station for any students who missed the school photo visits.

LIGHT RAIL VEHICLES

The first six prototype Light Rail Vehicles in the Commission's 196-car order with the Urban Transportation Development Corporation, Ltd. began arriving in late 1977. The prototypes were built in Switzerland and underwent extensive testing in Europe. The cars will be tested in Toronto during 1978. The remaining 190 vehicles will be built in Ontario by Hawker Siddeley Canada Limited, and delivery of the order is scheduled for completion in 1980.

COMMUNICATIONS AND INFORMATION SYSTEM PROJECT (C.I.S.)

The development and design of an electronic data and radio communications system for all TTC surface vehicles continued during 1977. The new system will provide facilities for the direct and continual exchange of passenger, service and vehicle data between all surface transit vehicles and the Control Centre and will enable TTC controllers to determine the exact location of any bus, street car or trolley bus and to contact the driver at any time.

An operational test of one hundred vehicles running on six regular service routes from Wilson Division will be in full operation by early 1979. The results of this test will be evaluated to determine the feasibility of future expansion of the system.

C.I.S. is a joint project of the Province of Ontario and the TTC. Provincial participation and funding is part of the government's program to assist public transit.

PUBLIC INFORMATION

The Commission's telephone information staff answered 1,579,076 requests for fare, schedule and route information during the year. This record high was an increase of 39,353 calls over 1976. More than 92,000 transit Ride Guides and

656,000 pocket bus timetables were distributed on the vehicles, at subway stations, major hotels and other locations and by mail. The regular program of posting permanent and temporary signs at terminals and stops to announce route extensions, diversions and schedule changes was continued. Just over 8,500 such signs were used in 1977.

During the year, the Commission's audio-visual presentation "Moving People" was shown to thirty Metro area community groups including service clubs, schools, community associations and senior citizens clubs. The presentation depicts many of the highlights of over fifty-five years of TTC operations and is also used to familiarize Commission visitors with the transit system. During 1977, it was shown to over two hundred visitors from all parts of the world.

ENGINEERING AND CONSTRUCTION

SPADINA RAPID TRANSIT

During 1977, labour disputes seriously affected construction progress on the new Spadina subway with the result that the opening date had to be rescheduled for January 28, 1978. At the end of 1977, twenty-two major structural contracts had been completed and work was underway on twenty-one others. In addition, one contract had been awarded and another was out for tender.

BLOOR-DANFORTH EXTENSIONS

Construction work continued on the 1.6-mile easterly extension from Warden Station to Kennedy Road and Eglinton Avenue as well as on the one-mile westerly extension from Islington Station to Kipling Avenue. At year end, one major structural contract had been completed, two were out for tender and two other contracts had been awarded.

Most of the easterly extension will be underground and when completed in 1980, the multi-level Kennedy terminal subway station will also include terminal facilities for the Scarborough Light Rail Transit Line, commuter parking and a Kiss'N'Ride installation. The one-mile westerly extension is also scheduled to open in 1980.

SCARBOROUGH LIGHT RAIL TRANSIT LINE APPROVED

In September 1977, formal approval was given by the Ontario Municipal Board to Metropolitan Toronto's application to construct the 4.4-mile Scarborough Light Rail Transit line.

Construction of the \$108.7 million project will begin in 1980 and the line will open in 1982. The cost of the LRT is being shared by the Province of Ontario and the Municipality of Metropolitan Toronto, 75% and 25% respectively.

From its southerly terminal at the new Kennedy subway station, the Light Rail Transit line will run north under the Eglinton overpass to an at-grade location immediately west of the CN right-of-way on Ontario Hydro Electric Power Commission land. It follows this alignment to Lawrence Avenue and then continues at-grade in the unused westerly portion of the CN right-of-way and on some adjacent industrial property to north of Ellesmere. At this point, the line swings east in a 450' tunnel under the CN main line.

From the CN line it runs at-grade adjacent to the south side of Highland Creek and crosses Midland Avenue at-grade. From Highland Creek to east of McCowan Road, the line is grade-separated with Brimley Road, Borough Drive west and east and McCowan Road, passing through the southern part of the Town Centre between the shopping complex and municipal offices, terminating east of McCowan Road.

PRIVATE BUILDING ALONG THE SUBWAY ROUTES

At year end, major building projects were either under construction or planned in the areas of St. Clair, Sheppard, Queen, College, Islington and Dufferin subway stations. Many of these developments include entrances to the adjacent subway station.

ADDITIONAL ESCALATORS - BLOOR-DANFORTH AND YONGE SUBWAY

In the Fall of the year, a contract was awarded for the supply and installation of a total of nine escalators at King, Wellesley, Spadina, Ossington, Dundas West and High Park subway stations. The new escalators are scheduled to be completed by summer 1978 and will improve access and egress for transit passengers who use the stations.

SPECIAL PROJECTS

Throughout 1977, TTC Engineering and Construction officials and staff were actively involved in the development and preparation of preliminary concepts and contract documents for many Metro transportation projects including Union Station expansion, the Scarborough Light Rail Transit Line, improved transit access to the CNE, an Eglinton Light Rail Transit Line and a subway extension to the Ferry Docks.

CONCLUSION

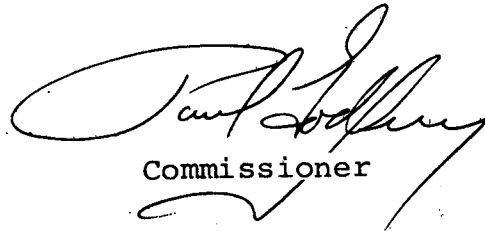
Preparation for the opening of the Spadina subway meant much added work and responsibility for all Commission departments. That this work was well handled during a year when over 348 million passengers used the transit system is indicative of the efficient and conscientious effort of the entire staff. The Commission is proud of its employees.

The co-operation and support of Metropolitan Council and its officials, the elected representatives of the City and all area boroughs, the Province and people of Metropolitan Toronto is also gratefully acknowledged.

Yours truly,



Chairman



Commissioner



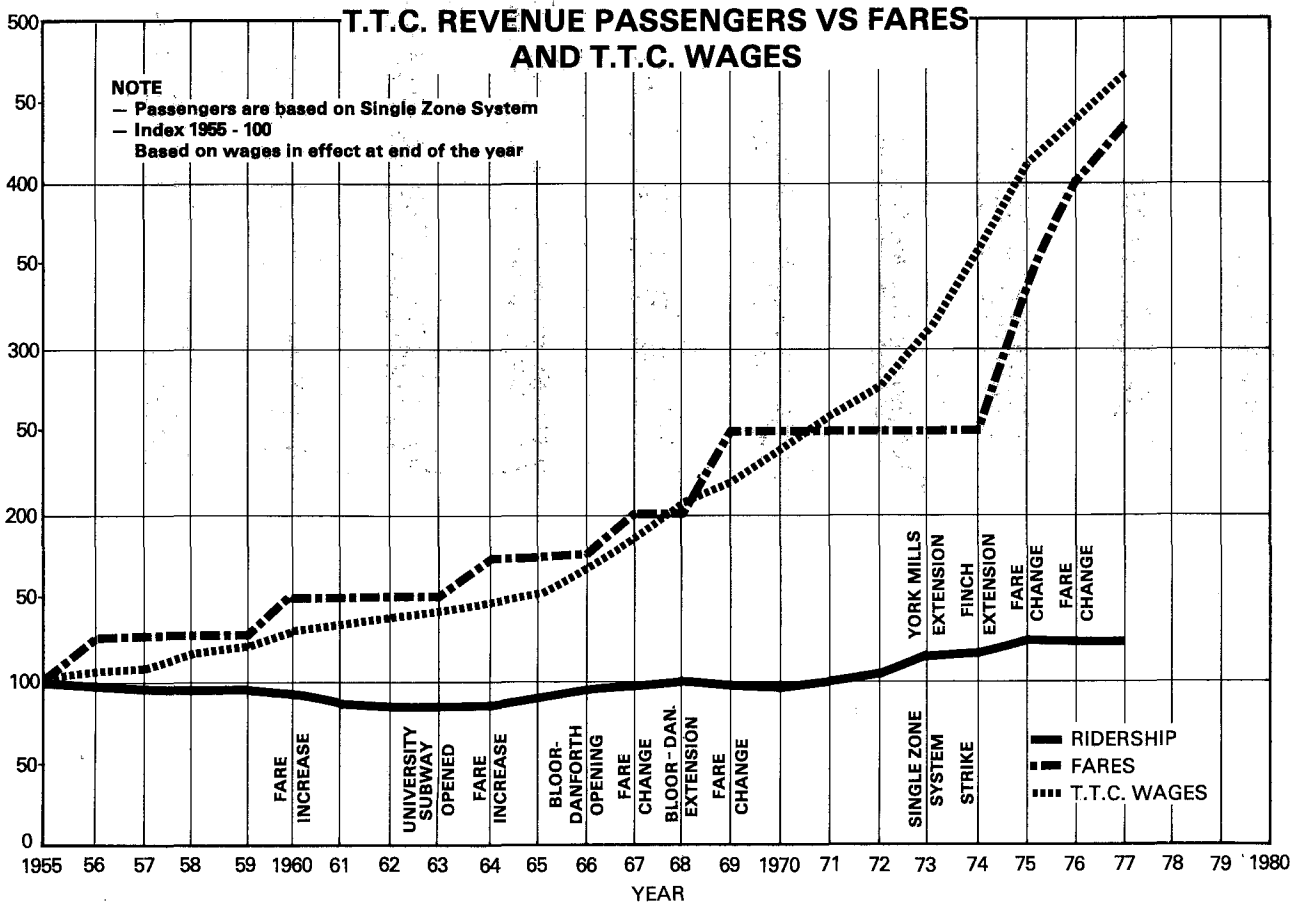
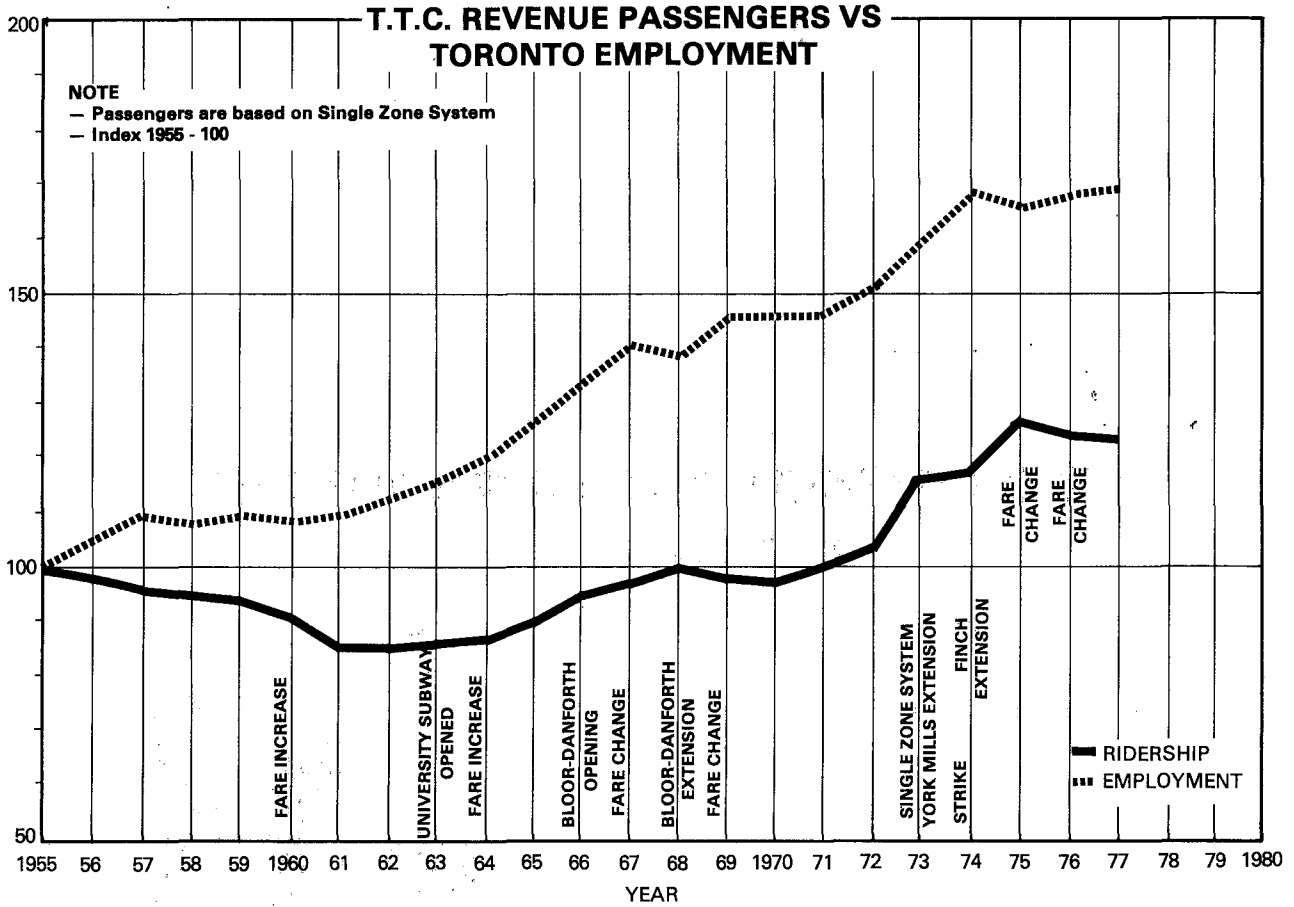
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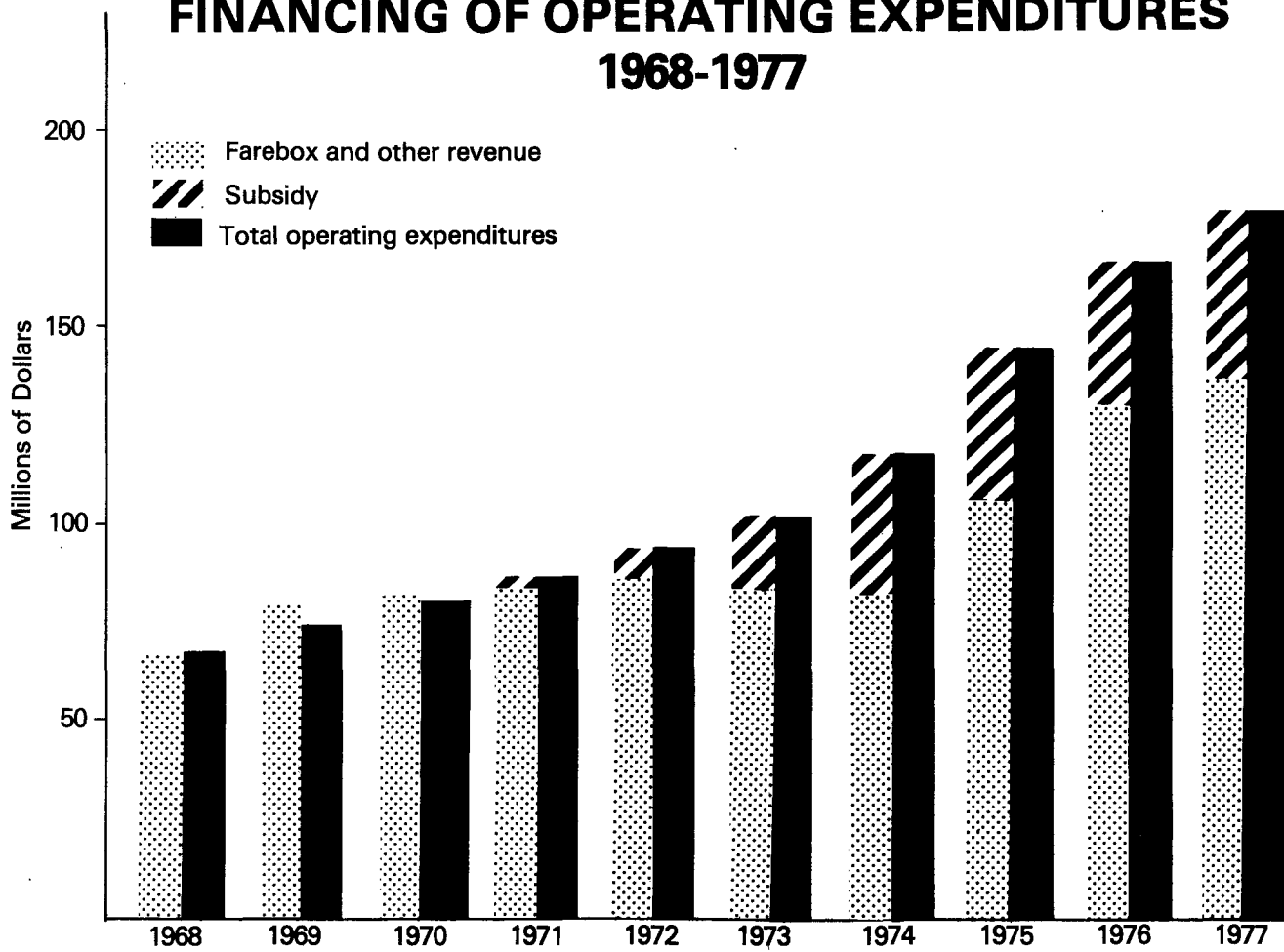
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FINANCING OF OPERATING EXPENDITURES 1968-1977



AUDITORS' REPORT FOLLOWS ...

April 11, 1978

AUDITORS' REPORT

To the Chairman and Members
of the Toronto Transit Commission:

We have examined the balance sheet of Toronto Transit Commission as at December 31, 1977 and the statements of revenue and expenses and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

TORONTO TRANSIT COMMISSION
STATEMENT OF REVENUE AND EXPENSES

	<u>For the year ended December 31</u>	
	<u>1977</u>	<u>1976</u>
	(in thousands)	
Revenue:		
Passenger services	\$132,529	\$127,919
Rental of land, air rights, buildings, subway concessions and equipment	2,053	2,185
Rental of advertising space	1,876	1,556
Profit on sale of land	484	-
Miscellaneous	787	446
	<u>137,729</u>	<u>132,106</u>
Expenses:		
Wages, salaries and other employee costs	137,620	128,334
Materials, services and supplies other than the items shown below	15,169	14,353
Electric traction power	8,477	6,742
Automotive fuel, including provincial taxes of \$2,236,000 (1976 - \$2,268,000)	6,059	5,877
Vehicle and other licences	316	305
Municipal taxes	2,047	1,800
Public liability costs	1,708	1,559
Depreciation (Note 3)	6,360	6,365
Debenture interest	2,225	2,331
	<u>179,981</u>	<u>167,666</u>
Excess of expenses over revenue for the year	42,252	35,560
Operating subsidy (Note 1)	<u>42,252</u>	<u>35,560</u>
Balance for the year	<u>\$ -</u>	<u>\$ -</u>

TORONTO TRANSIT COMMISSION
BALANCE SHEET

ASSETS

	<u>As at December 31</u>	
	<u>1977</u>	<u>1976</u>
	(in thousands)	
Current assets:		
Cash and interest bearing deposits	\$ 733	\$ 732
Accounts receivable-		
Gray Coach Lines, Limited - current account (Note 4)	2,066	2,117
Operating subsidy receivable (Note 1)	14,271	15,570
Capital subsidy and other receivables	8,826	4,566
Other-		
Materials and supplies, at cost	5,722	6,276
Working funds and prepaid expenses	<u>1,241</u>	<u>745</u>
	32,859	30,006
Investment in capital stock of Gray Coach Lines, Limited, at cost (Note 4)	1,000	1,000
Unamortized debenture discount	663	711
Capital assets (Note 2):		
Land, buildings, subways, power distribution system, trackwork, rolling stock, buses and other equipment, at cost	602,210	576,085
Less: Capital contributions received	<u>389,606</u>	<u>363,361</u>
	212,604	212,724
Less: Accumulated depreciation	<u>129,729</u>	<u>125,536</u>
	82,875	87,188
Subway and other assets under construction	242,972	160,255
Less: Capital contributions received	<u>241,861</u>	<u>159,613</u>
	<u>1,111</u>	<u>642</u>
Total capital assets	83,986	87,830
	<u><u>\$118,508</u></u>	<u><u>\$119,547</u></u>

LIABILITIES

	<u>As at December 31</u>	
	<u>1977</u>	<u>1976</u>
	(in thousands)	
Current liabilities:		
Accounts payable and accrued liabilities	\$ 23,075	\$ 22,537
Debenture interest accrued	<u>470</u>	<u>481</u>
	23,545	23,018
Provision for:		
Tickets and tokens held by the public	4,750	3,425
Public liability and workmen's compensation	<u>2,000</u>	<u>2,000</u>
	6,750	5,425
Capital debt:		
The Municipality of Metropolitan Toronto-		
For debentures maturing in annual		
instalments from 1978 to 1995	31,057	32,967
For sinking fund debentures maturing		
between 1980 and 1997 less sinking		
fund balance of \$10,277,000	<u>11,905</u>	<u>12,859</u>
Total (Note 5)	42,962	45,826
Foreign exchange premiums received less		
discounts on transfer of proceeds of		
outstanding debentures issued in		
United States funds	<u>66</u>	<u>93</u>
	43,028	45,919

EQUITY

Equity acquired from Toronto Transportation		
Commission on January 1, 1954:		
Earnings retained and invested in		
improvement and expansion of the		
system by Toronto Transportation		
Commission	24,804	24,804
Earnings retained and invested in the system		
by Toronto Transit Commission (unchanged		
from prior year)	<u>20,381</u>	<u>20,381</u>
	45,185	45,185
	<u>\$118,508</u>	<u>\$119,547</u>

TORONTO TRANSIT COMMISSION
STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>For the year ended December 31</u>	
	<u>1977</u>	<u>1976</u>
	(in thousands)	
Source of funds:		
Passenger services	\$132,529	\$127,919
Other income	4,716	4,187
Operating subsidy	<u>42,252</u>	<u>35,560</u>
	179,497	167,666
Proceeds of capital asset disposals	<u>762</u>	<u>642</u>
	<u>180,259</u>	<u>168,308</u>
Application of funds:		
Operating expenses	179,981	167,666
Add (deduct) items not requiring current funds-		
Depreciation	(6,360)	(6,365)
Other	<u>(789)</u>	<u>210</u>
	172,832	161,511
Expenditures on capital assets (Note 2)	111,287	98,151
Less: Capital contributions received	<u>108,493</u>	<u>96,194</u>
	2,794	1,957
Debenture debt repayments	<u>2,307</u>	<u>2,229</u>
	<u>177,933</u>	<u>165,697</u>
Increase in working capital	2,326	2,611
Working capital at beginning of year	<u>6,988</u>	<u>4,377</u>
Working capital at end of year	<u>\$ 9,314</u>	<u>\$ 6,988</u>

TORONTO TRANSIT COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1977

1. Operating subsidy:

In each of the years 1971 to 1977 The Municipality of Metropolitan Toronto has assumed responsibility for the Commission's operating deficit. Financial assistance from the Province of Ontario to the Municipality included subsidy payments based on 50% of the deficits for the years 1971 to 1976. For 1977 the Provincial subsidy is based on 13.75% of eligible transit operating expenditures by the Commission and the Municipality plus 50% of certain start-up costs relating to the Spadina subway extension.

The Municipality had made payments to the Commission of \$27,981,000 in respect of the 1977 operating deficit leaving a balance receivable of \$14,271,000 at December 31, 1977.

2. Capital assets and capital contributions:

The Commission constructs or purchases its capital asset additions and receives capital contributions from The Municipality of Metropolitan Toronto and the Province of Ontario. Capital assets are recorded at cost in the financial statements and the capital contributions received are recorded as a deduction from the gross cost. The current bases for capital contributions are as follows:

- (i) For additions and major improvements to the subway system and equipment and for 125 Light Rail Vehicles the Municipality makes a capital contribution equal to the total cost and recovers 75% of this amount from the Province.
- (ii) For most of its other capital asset additions the Commission receives the benefit of a 75% capital contribution that the Province pays to municipalities.

The additions to capital assets and capital contributions during 1977 are summarized below. These figures do not include land for subways which is purchased by the Municipality and is not recorded on the Commission's books.

	<u>Expended in 1977</u>	<u>Capital contributions recorded in 1977 from the Province and Municipality</u>
	(in thousands)	
Subway extensions and improvements-		
Spadina Rapid Transit Line	\$ 71,538	\$ 71,451
Subway cars	16,533	16,151
Bloor-Danforth Line, Kipling and Kennedy Extensions	8,671	8,671
Dundas Station improvements	1,075	1,075
Other	2,102	1,744
Surface assets-		
Light Rail Vehicles	5,043	5,043
59 buses	4,507	3,371
Other	<u>1,818</u>	<u>987</u>
	<u>\$111,287</u>	<u>\$108,493 *</u>

*Includes \$5,210,000 receivable at December 31, 1977.

Subway and other assets under construction at December 31, 1977 are summarized as follows:

		(in thousands)
Subway assets-		
Spadina Rapid Transit Line	\$193,651	
Subway cars	19,175	
Bloor-Danforth Line, Kipling and Kennedy Extensions	22,333	
Miscellaneous	<u>2,000</u>	
		\$237,159
Other assets-		
125 Light Rail Vehicles		<u>13,559</u>
		250,718
Less:		
Accounts payable and accruals	6,192	
Contract holdbacks	<u>1,554</u>	
		<u>7,746</u>
		<u>\$242,972</u>

3. Depreciation policy:

The provision for depreciation on capital assets is computed on the straight-line method at rates based on the estimated average useful life of each asset group. Depreciation is charged only on that portion of the total cost of capital assets borne by the Commission.

4. Gray Coach Lines, Limited:

Gray Coach Lines, Limited, a wholly-owned subsidiary of the Toronto Transit Commission, operates interurban coach services and its financial statements are published separately. The accounts of Gray Coach Lines are not consolidated with those of the Toronto Transit Commission because consolidation is not felt to be the more informative presentation in the circumstances. The earnings of the company, after any dividends to the Commission, are retained to maintain and improve the service for the benefit of the population it serves and are not likely to accrue to the Commission. In addition, the company's fares and routes are regulated by the Province of Ontario and a significant part of the company's operations is carried out under an agreement with the Toronto Area Transit Operating Authority as part of the "Go Transit" commuter system.

The earnings of Gray Coach Lines are recorded in the accounts of the Commission only to the extent of dividends received. No dividends were received in 1977 or 1976. The results of Gray Coach Lines' operations are summarized as follows:

GRAY COACH LINES, LIMITED

	<u>Year ended December 31</u>	
	<u>1977</u>	<u>1976</u>
	<u>(in thousands)</u>	
Revenue	\$27,135	\$27,194
Expenses, including Ontario income taxes	<u>26,928</u>	<u>26,923</u>
Net earnings for the year	<u>\$ 207</u>	<u>\$ 271</u>

The company's balance sheet is summarized as follows:

ASSETS

	<u>As at December 31</u>	
	<u>1977</u>	<u>1976</u>
	<u>(in thousands)</u>	
Current assets	\$ 5,847	\$ 4,343
Short-term investments, primarily held for modernization and expansion of the system	1,475	1,475
Capital assets, at cost less accumulated depreciation	<u>8,561</u>	<u>9,990</u>
	<u>\$15,883</u>	<u>\$15,808</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities	\$ 3,043	\$ 3,203
Provisions, mainly for public liability and workmen's compensation	1,330	1,302
Capital stock, reserve and retained earnings	<u>11,510</u>	<u>11,303</u>
	<u>\$15,883</u>	<u>\$15,808</u>

The Statement of Revenue and Expenses reflects charges of \$5,211,000 (1976 - \$5,082,000) made to Gray Coach Lines, Limited by the Commission for rental of property and equipment, use of joint facilities and administrative services.

5. Capital debt:

Capital borrowings by the Commission are effected through the issue of Municipality of Metropolitan Toronto debentures. The Commission is required to provide the Municipality with funds to meet all principal and interest payments on such debentures. At December 31, 1977 the net capital debt of the Commission was as follows:

	<u>1977</u>	<u>1976</u>
	(in thousands)	
Instalment debentures-		
2 3/4% due 1980*	\$ 507	\$ 676
3 3/8% due 1981*	1,253	1,545
3 1/2% due 1983*	1,635	1,875
4% due 1983	1,098	1,258
3 1/2% due 1984	1,157	1,301
5 3/8% due 1992	2,866	2,988
5 1/2% due 1993	7,197	7,474
5 1/4% due 1995	<u>15,344</u>	<u>15,850</u>
	<u>31,057</u>	<u>32,967</u>
Sinking fund debentures-		
4 1/8% due 1986*	597	741
5% due 1993	1,071	1,187
6% due 1996	5,589	5,993
6% due 1997	2,106	2,242
7% due 1997	<u>2,542</u>	<u>2,696</u>
	<u>11,905</u>	<u>12,859</u>
	<u>\$42,962</u>	<u>\$45,826</u>

* These debentures are stated in U.S. dollars and based on the December 31, 1977 exchange rate the Commission would have an additional liability of approximately \$390,000.

Instalment debenture maturities and scheduled sinking fund payments required in each of the next five years are approximately \$2,400,000.

The sinking fund balance of \$10,277,000 at December 31, 1977 consists of:

- (i) the annual levies paid by the Commission into The Municipality of Metropolitan Toronto sinking fund together with interest credited at the rate of 3% per annum, which is the rate to provide sufficient funds to retire the debentures at maturity, and
- (ii) the Commission's equity of \$2,164,000 in the actual earnings of the sinking fund in excess of the 3% rate.

6. Anti-inflation program:

The Commission is subject to, and has complied with, controls on compensation under the Federal government's anti-inflation program.

STATISTICAL SUMMARIES FOLLOW ...

TORONTO TRANSIT COMMISSION

FINANCIAL AND OPERATING STATISTICS - 10 YEAR SUMMARY

	<u>1968-1977</u>						<u>% Increase 1968-1977</u>
	<u>1968</u>	<u>1970</u>	<u>1972</u>	<u>1974</u>	<u>1976</u>	<u>1977</u>	
<u>PASSENGERS/REVENUE</u>							
Revenue Passengers (Millions)	281	277	293	330	351	349	24.2
Average Weekday Passengers (Millions)	0.9	0.9	1.0	1.2	1.2	1.2	33.3
Metropolitan Population (Millions)	1.9	2.0	2.1	2.1	2.1	2.1	10.5
Basic Adult Fare (at Dec. 31)	20¢	25¢	25¢	25¢	40¢	40¢	100.0
Total Revenue (Millions of Dollars)	67	82	87	84	132	138	106.0
Revenue Per Vehicle Mile	96.1¢	113.9¢	116.5¢	100.6¢	137.4¢	146.2¢	52.1
Revenue Per Revenue Passenger	23.8¢	29.6¢	29.7¢	25.5¢	37.6¢	39.5¢	66.0
<u>OPERATIONS/EXPENSES</u>							
Miles Operated Including Charter and Special Services (Millions)							
Motor Bus	32.4	33.8	36.9	40.5	47.5	46.9	44.8
Subway	20.5	22.7	23.0	29.7	34.6	33.8	64.9
Streetcar	12.8	11.4	10.8	9.9	10.1	9.5	(25.8)
Trolley Bus	4.0	4.1	4.0	3.4	3.9	4.2	5.0
	<u>69.7</u>	<u>72.0</u>	<u>74.7</u>	<u>83.5</u>	<u>96.1</u>	<u>94.4</u>	<u>35.4</u>
Average Number of Employees (Including Gray Coach Lines Limited)							
	6,490	6,535	7,042	7,565	8,473	8,525	31.4
Average Hourly Wages And Benefits Per Driver							
	\$3.89	\$4.71	\$5.79	\$7.52	\$8.86	\$9.62	147.3
Total Expenses (Millions of Dollars)							
	68	80	93	118	168	180	164.7
Expenses Per Vehicle Mile	97.6¢	111.1¢	124.5¢	141.3¢	174.8¢	190.7¢	95.4
Expenses Per Revenue Passenger	24.2¢	28.9¢	31.7¢	35.8¢	47.9¢	51.6¢	113.2
<u>EXCESS OF EXPENSES OVER REVENUE</u>							
Excess/(Surplus) (Millions of Dollars)	1	(2)	6	34	36	42	
Excess/(Surplus) Per Vehicle Mile	1.5¢	(2.8)¢	8.0¢	40.7¢	37.4¢	44.5¢	
Excess/(Surplus) Per Revenue Passenger	.4¢	(.7)¢	2.0¢	10.3¢	10.3¢	12.1¢	

TORONTO TRANSIT COMMISSION

FINANCIAL AND OPERATING STATISTICS - 10 YEAR SUMMARY

1968-1977

	<u>1968</u>	<u>1970</u>	<u>1972</u>	<u>1974</u>	<u>1976</u>	<u>1977</u>	<u>% Increase 1968-1977</u>
<u>CAPITAL ASSETS</u>							
Investment In Capital Assets (before depreciation and contributions) At Dec. 31 (Millions of Dollars)	388	426	500	560	736	845	117.8
Route Miles In Operation							
Subway	20.7	20.7	20.7	25.7	25.7	25.7	24.2
Surface	531.6	553.5	605.8	670.3	684.4	689.7	29.7
Vehicle Fleet							
Buses	942	963	1,006	1,165	1,219	1,235	31.1
Subway Cars	334	334	410	416	494	534	59.9
Trolley Coaches	153	152	152	151	151	151	(1.3)
Streetcars	543	437	418	389	358	354	(34.8)

