198[illegible] ANNUAL REPORT

A COMMITMENT TO EXCELLENCE

TORONTO
TRANSIT
COMMISSION

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Cover: Driver Bill Gorry, a 16-year veteran with the TTC.

Julian Porter, QC
(Chairman)

Jeffery S. Lyons, QC
(Vice-Chairman)

Dr. Gordon J. Chong

C. Dennis Flynn

Tom R. Jakobek

To: Mr. Dennis Flynn, Chairman, and Councillors of the Municipality of Metropolitan Toronto

LADIES AND GENTLEMEN:

I am proud to present the 1986 Annual Report of the Toronto Transit Commission.

It has been an award-winning year. The TTC's years of planning, building, operating and maintaining the system to provide the best possible service to riders were rewarded with five major honours, including the Outstanding Achievement Award given by the American Public Transit Association.

The industry's highest honour for excellence in all aspects of public transit planning, operations, maintenance, and safety reaffirmed the TTC's long-standing conviction that large numbers of people will choose to ride public transit when safe, clean, reliable and reasonably priced service is made available.

Recognition of the TTC's history of excellence was also extended by the business community when *The Financial Post* included the TTC in its best-selling book *The 100 Best Companies to Work for in Canada.*

These accolades would not have been won without the confidence of the public, who rode the TTC to another annual ridership record, the dedication of our employees and continued support from Metropolitan Toronto Council and the Province of Ontario. This support was again evident in 1986 when Metro Council voted its approval of the Sheppard Avenue subway, the first stage of the NETWORK 2011 rapid transit master plan to meet Metro's transit needs into the 21st century.

In 1986 the TTC was also proud to celebrate 125 years of continuous streetcar service in Toronto, a tradition assured of enduring into a third century as we await the delivery of 52 new articulated streetcars in 1987 and 1988. The new generation of vehicles will replace the TTC's venerable "Red Rocket" PCC (Presidents' Conference Committee) cars, which have served our patrons well for many years. One hundred and twenty-six new air-conditioned subway cars will also enter service in 1987 and 1988. These new vehicles represent the TTC's commitment to constant renewal of the system to ensure the highest standards of service and safety.

Throughout its 65-year history the TTC has always been able to blend the best of the past with the technology of the present and the ideas of the future. This past is prologue to a challenging future that will call upon the TTC's considerable experience as important decisions approach on transportation priorities and projects. Meeting those challenges will require a continued spirit of co-operation with Metro's municipal neighbours in order to maintain the quality of transit service that has contributed to healthy economic growth and high quality of life in the Metro Toronto region.

Finally, after ten exciting and productive years on the Commission, eight of them as chairman, the time has come for a personal farewell. It has been a pleasure and a privilege to work with the Commission and its employees, and I wish to thank Metropolitan Toronto Council for giving me the opportunity to serve. Without your support and assistance the TTC would not have been able to meet the needs of the Metropolitan Toronto community and gain its richly deserved reputation as one of the finest public transit systems in the world.

I have enjoyed every minute of my association with the wonderful employees of this great family and I look forward to many years of wonderful talks with drivers, collectors and inspectors.

Julian Porter
Chairman

I am pleased to report that in 1986 the TTC set yet another ridership record, carrying 441,012,000 passengers. This increase of 8.9 million riders over the previous year exceeded our forecast by 4 million. With a January fare change, budgeted to increase the average fare by 6.8 per cent, the TTC was again able to exceed its target of obtaining 68 per cent of operating expenses from revenues. With revenues meeting 69.5 per cent of operating costs, the TTC was able to reduce by $6.6 million the budgeted level of financial support needed from Metropolitan Toronto and Ontario taxpayers.

This level of funding enabled the TTC to provide 189.6 million kilometres (117.8 million miles) of service during 1986, a 3.7-million-kilometre (2.3-million-mile) increase. Much of the increased patronage throughout 1986 can be attributed to a robust economy in Metro Toronto and recognition of the TTC's good value and service to our riders for the cost of their fares.

This buoyant ridership is creating a concern that the system is reaching the limits of its capacity to move people efficiently. To meet steadily increasing ridership and vehicle replacement requirements, the TTC entered into two contracts in 1983 and 1984 with the Urban Transportation Development Corporation (UTDC) to purchase 52 articulated streetcars and 126 air-conditioned subway vehicles at a total cost of approximately $270 million, but delivery of these vehicles has been delayed by almost two years. Our riders have been patient with ageing vehicles, but their patience is being taxed as breakdowns increase, causing delays and necessitating more frequent repairs.

Total revenues rose by 11 per cent to $334.8 million in 1986, from $301.6 million in 1985. With the addition of the operating subsidy of $126.1 million, the TTC's total revenue and operating subsidy amounted to $461.0 million, an increase of $34.0 million over the previous year. Capital spending for 1986 totalled $168.3 million, down by 11 per cent from $188.5 million in 1985.

Financial support from the Metropolitan Toronto government and the Province of Ontario continues to be an important element in the successful operation of the system. Over the years the TTC has been fortunate, as well, in enjoying political support in recognition of the benefits to the community of a safe and efficient transit system.

After six challenging and rewarding years this annual report marks my last year as chief general manager of the TTC. I would like to thank the members of the Commission and Metro Council for their support during my time here, and I would like to express special thanks to the 10,000 men and women of the TTC, who demonstrate the spirit of excellence at their jobs every day.

Alfred H. Savage
Chief General Manager

OFFICERS AND SENIOR OFFICIALS
(left to right)

Standing

Norman E. Balfour, QC
General Counsel
Arnold S. Dube
General Manager, Administration
Alfred H. Savage
Chief General Manager
William L. Verrier
President and Chief Executive Officer
Gray Coach Lines, Limited
Donald J. Morton
General Manager,
Engineering and Construction
Lloyd G. Berney
General Manager, Operations

Seated

Gordon M. Break
General Manager, Human Resources
Dr. Juri Pill
General Manager, Planning
David C. Phillips
General Secretary
J. Herb Jobb
General Manager, Finance

HIGHLIGHTS OF THE YEAR

- In 1986 the TTC became the first Canadian transit authority to receive the APTA Outstanding Achievement Award, the industry's highest honour for excellence in all aspects of public transportation.
- The TTC won the 1986 APTA Silver Award for the best traffic safety record in North America for the 17th time in the past 20 years.
- TTC drivers achieved the lowest accident rate in TTC history with only 2.98 incidents per 160,000 km (100,000 mi.) of operation in 1986.
- In 1986, TTC buses, streetcars and trolley coaches were involved in only one accident for every 49,270 km (30,794 mi.) of operation.
- The TTC won awards for the best traffic safety record, the lowest accident rate and the best industrial safety record among major Canadian transit systems in 1986.
- More than 3,000 vehicle operators, 79 per cent of the TTC's drivers, received safe driving certificates in 1986. Three operators were honoured for 30 years or more of accident-free service.

Excellence is a tradition at the Toronto Transit Commission. For decades the TTC has been recognized by its peers as one of the finest and safest public transit systems in North America. In 1986 the American Public Transit Association (APTA) recognized the TTC with its highest honour, the Public Transportation System Outstanding Achievement Award. As the first Canadian transit authority to receive this prestigious award, the TTC was cited for sound management and operating practices, far-sighted planning and a tradition of continuing innovation.

EXCELLENCE MEANS SAFETY

Serving riders successfully means serving them safely. In 1986, TTC operators recorded their lowest accident rate in the TTC's history with fewer than three incidents per 160,000 km (100,000 mi.) operated. This record was again the best passenger and traffic safety record among transit systems serving North American cities with 1 million or more people. For this achievement the TTC was awarded the industry's highest safety honour, the Silver Award of the APTA. It was the 17th time in the past 20 years the TTC has been honoured with this award. The APTA also recognized the late Leonard Bardsley's creative solutions to transit challenges during his 35-year TTC career by electing him to its Hall of Fame.

Other honours included three Canadian Urban Transit Association (CUTA) safety awards. Competing with Canadian systems operating more than 10 million kilometres (6.2 million miles) of service annually, the TTC won awards for the best traffic safety record in Canada, with a rate of only 11.7 accidents per million kilometres operated; for the lowest accident rate, just 1.6 accidents per million passengers carried; and for the best industrial safety record, 25.3 accidents for every million employee-hours worked.

These honours were complemented by a Crime Prevention Award from the Ontario Solicitor General honouring the TTC as "an innovator in communicating the safety and security message to the public at large." The TTC's ongoing Public Education Programme was nominated for this award by the Metropolitan Toronto Police.

In 1986, 3,303 operators, 79 per cent of the TTC's drivers and operators, received safe driving certificates from the Commission. At the TTC's 23rd Annual Safe Drivers Luncheons, three operators were honoured for 30 years or more of accident-free driving and the 20-year group numbered 145. The 10-year safe driving plateau was reached by 1,140 drivers, and an additional 2,165 operators were presented with special certificates marking one to nine years of safe driving.

The TTC is also one of the safest places to work in the province of Ontario. In 1986, lost-time injuries decreased by 14 per cent over the previous year, a level 42 per cent lower than the Ontario average, as calculated by the Industrial Accident Prevention Association.

A WORLD-WIDE REPUTATION

The TTC offers the benefits of its experience and expertise around the world through its consulting subsidiary, Toronto Transit Consultants Ltd. (TTCL). Drawing upon TTC management, technical and operating staff, TTCL provides consulting services in all areas of public transit to government authorities, agencies and private concerns.

TTCL was engaged in a number of projects in the United States and overseas during 1986. In the U.S., the company was involved in assignments in Los Angeles, Pittsburgh and Washington, D.C. Projects were also under way in several world capitals, including Ankara, Turkey; Bangkok, Thailand; Kuala Lumpur, Malaysia; and Mexico City; TTCL was also at work in a second Turkish city, Bursa.

In addition to direct consulting activities, TTCL organized and held two international symposia in 1986. Engineers, consultants and transit officials convened in Toronto to discuss advanced techniques and developments in soft-ground tunnelling and the successful integration of large-scale urban development and public transit facilities.

VEHICLE REPAIRMAN *George Duncan, emergency repairmen Harry Higgins and Steve Sziraki and lead hand carhouse operator Jim Abreu bring more than 61 years' experience to the task of keeping the TTC streetcar fleet running smoothly.*

HIGHLIGHTS OF THE YEAR

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The TTC added 6.8 km (4.3 mi.) of route in 1986 with the creation of one new route and one new express service and extensions to seven other routes.

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A $1.5-million winterization programme was undertaken to improve cold-weather performance on the high-tech Scarborough RT line.

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The TTC's 10-year, $50-million subway station modernization programme continued with extensive renovations completed at Wellesley and Eglinton stations on the Yonge line.

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New shops and services available to subway riders include Canadian Imperial Bank of Commerce Instant Teller machines in 16 subway stations.

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Wheel-Trans provided 43,000 more rides in 1986 than in the previous year, an increase of 8.9 per cent from 1985 and over 100,000 more than in 1984.

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Wheel-Trans had more than 15,000 registered users across Metro Toronto at the end of 1986, a far cry from the 46 riders listed when Wheel-Trans began as a pilot project in 1975.

•

The TTC approved the purchase of 32 more specially designed state-of-the-art Orion II vehicles for Wheel-Trans service, at a cost of $4.25 million.

Serving the rider is the TTC's first order of business. To keep pace with ever-changing transportation needs throughout Metro Toronto, the route network was extended by an additional 6.8 km (4.3 mi.), bringing it to 1345.0 km (835.8 mi.). During the year a new bus route was created on Gerrard Street East to connect subway stations at Main Street and Warden Avenue; eight existing bus routes were extended or modified, and one new branch was introduced on a route already in service. A new rush-hour express service was introduced to connect York Mills subway station and Rouge Hill GO station in Scarborough. Additional hours of operation were also introduced on five other bus routes during the year. Extensions to six routes and five restructurings were recommended, with four of these route extensions implemented towards the end of the year. The remaining recommendations will be introduced early in 1987. These route and service extensions contributed to an additional 3.7 million km (2.3 million mi.) of service provided to the public in 1986.

GROWING RIDERSHIP

As service and ridership grew, so sales of the TTC's monthly Adult Metropass continued to climb throughout the year, reaching a new high of 127,700 in the month of November. The very high Metropass usage helped ridership to exceed 1.5 million rides on 79 days, including one day with a single-day ridership record of 1.65 million and six other days when the TTC carried more than 1.6 million passengers. These ridership increases represent public confidence in the system confirmed by the highest per-capita ridership in North America, equivalent to more than 200 rides a year for every resident of Metro Toronto, and by continuing upward trends in measures of passenger satisfaction.

Service in the second year of operation on the automated Scarborough RT line was greatly improved, attracting an average of 30,000 riders a day. Following a review of the first full winter of operation, the TTC undertook a $1.5-million winterization programme. Additional heating cables were installed to keep drainways on the elevated guideway free of ice, and power rails on the at-grade section of the line were equipped with a second coverboard, to prevent ice and freezing rain from impeding electrical contact. In addition, a number of track switches were re-equipped with improved electric heaters to prevent ice buildup, which causes delays to rush-period service when heavy demand makes reliability essential.

Major improvements at Wellesley and Eglinton stations continued the TTC's 10-year, $50-million upgrading programme to the 1954-vintage stations on the original 7.4-km (4.6-mi.) section of the Yonge subway line. Wellesley was made more attractive to the thousands of patrons who pass through it each day with new wall tiles, additional doors to aid passenger flow, new collector booths, improved lighting and signage and a sound-inhibiting aluminum-slat ceiling. At Eglinton station support columns were covered with stainless steel cladding and red mosaic tiles, and new ceilings were installed. Much of this station's original appearance was retained by keeping the rare grey vitrolite glass wall panels, as requested by the City of Toronto and the Toronto Historical Board. New public address equipment was also installed in both stations.

SYSTEM IMPROVEMENTS

Modernization of the St. Clair and Summerhill subway stations also began towards the end of the year. Among the improvements planned are new wall tiles, sound-deadened ceilings, improved public address systems and additional windows. At the busy St. Clair station a third escalator will be added on the southbound platform, and new skylights above two stairwells will provide a brighter, more open aspect.

Another significant improvement to the system made in 1986 is now benefiting approximately 18,000 TTC passengers a day who use four bus and streetcar lines terminating at the

TERRY NOONAN, *the TTC's first female inspector, started her career as an operator. Rain or shine, she keeps streetcars on schedule along the downtown King (504) route.*

west-end Humber loop. The waiting shelter that serves these riders was upgraded with an attractive new copper roof, a more effective electric heating system, improved indoor and outdoor lighting and new safety windows and floor tiles.

INFORMING RIDERS

Keeping riders informed about TTC policies and services is essential to serving them effectively. To this end the Commission produces a variety of consumer information materials, including approximately 1 million copies each of the *TTC Ride Guide* system map, pocket timetables and the monthly take-one pamphlet *Rider News.* In addition, the popular system-wide poster campaigns, "Our Riders Write" and "We Want You to Know More About Us," continued to highlight some prominent concerns of TTC patrons, including littering, food consumption and vehicles turning short of their destinations.

The second phase of the TTC's retail leasing programme was approved to proceed towards the goal of providing approximately 3,700 square metres (40,000 square feet) of retail space in nearly 40 subway stations. Among the shops and services available to subway riders in 1986 were florists, shoe repair, dry cleaning and photo processing establishments and automatic banking machines located in 16 stations. Once all locations are leased the TTC anticipates a net annual return of approximately $5 million.

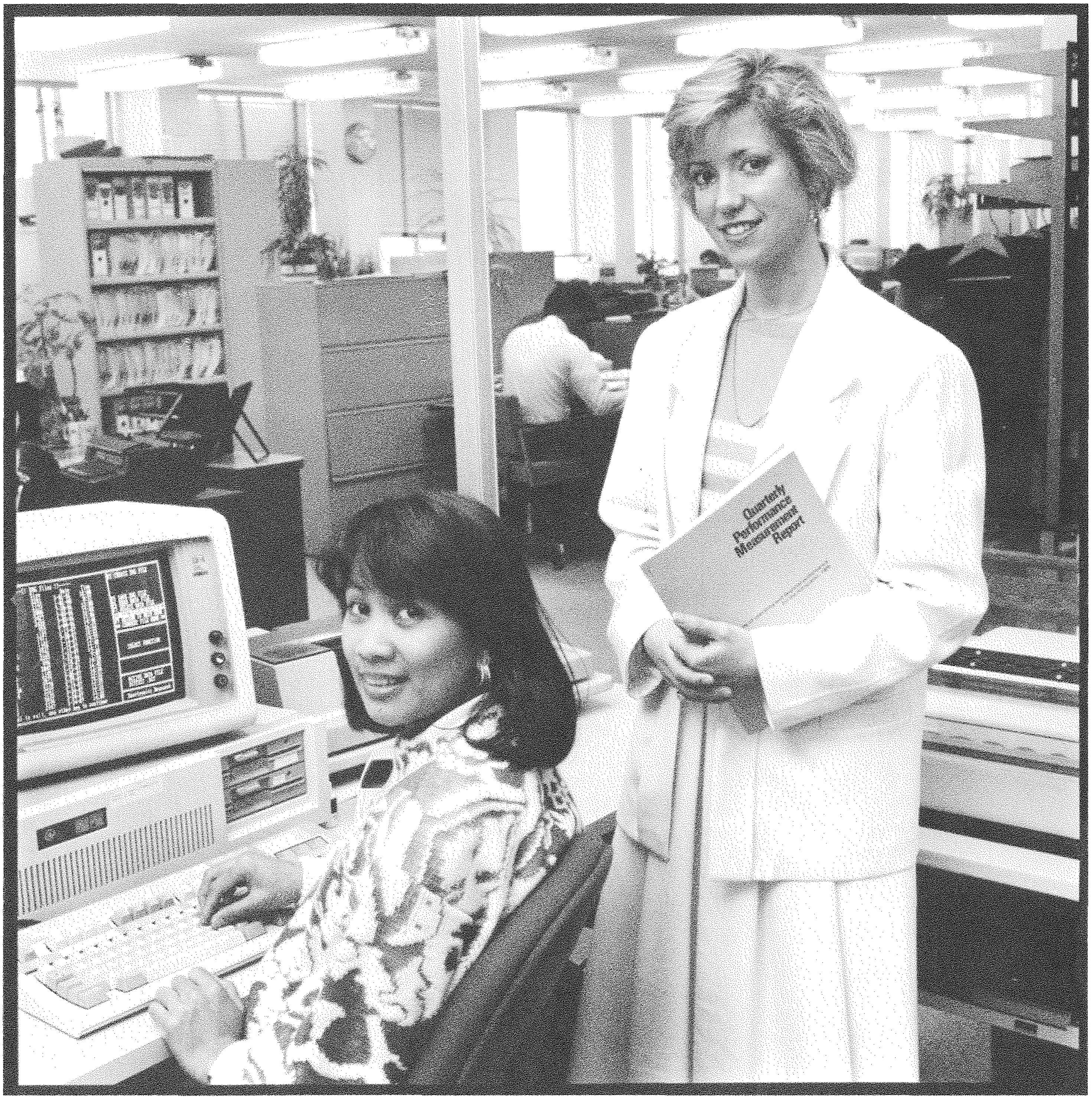
Planning was completed and approval gained in 1986 for the TTC's new Metro-wide all-night service grid. When the Blue Night Network is introduced early in 1987, 86 per cent of Metro Toronto's 2.2 million people will be within a 15-minute walk of all-night bus and streetcar routes. Some 22 routes will operate between the hours of 1:00 a.m. and 5:30 a.m., in the first major expansion to the TTC's all-night service grid in over 60 years.

A long-standing complaint of TTC subway riders has been the poor sound quality of the on-train public address system. Research and development of a new public address system for the subway fleet is under way to provide relief from the audio difficulties imposed by a highly variable acoustic environment that includes noise from moving trains, large numbers of people and varying operator voice levels.

Bus and streetcar riders will soon be able to learn the scheduled arrival time of the next vehicle on their route by telephoning a special TIMELINE number displayed on each TTC stop post. In a three-year test programme approved in 1986, the computerized automatic telephone information system will provide schedule information for approximately 9,000 transit stops on surface routes system-wide. TIMELINE's 24-hour, delay-free answering capability will benefit thousands of customers who currently may receive busy signals or have to hold for an available operator when phoning for transit route schedule information. By handling up to 10 million simple schedule and/or status enquiries annually, TIMELINE will give the TTC's Telephone Information staff, who answer an average of 6,500 service enquiries every day of the year, more time to respond to trip routing calls needing detailed answers.

WHEEL-TRANS

Wheel-Trans, the TTC's and Metro Toronto's specialized transit service for disabled riders, again showed a dramatic increase in annual ridership. Over 526,000 rides were provided in 1986, an increase of 43,000, 8.9 per cent more than in 1985 despite a two-week strike by drivers. At year-end there were more than 15,000 registered users of this door-to-door service. However, demand continued to grow faster than the capacity of Wheel-Trans to provide service. To meet a planned 15-per-cent expansion in service hours for 1987 and reduce the required advance booking time by approximately 40 per cent, the Commission approved the purchase of 32 more Orion II vehicles for Wheel-Trans. When these buses are delivered in 1987 Wheel-Trans will have 62 of these specially designed Canadian vehicles in service.



NENITA BABARAN *(seated) and Pam McCombe monitor operating costs and analyse ridership. Their information helps the TTC budget for services needed to meet growing ridership.*

OPERATING AND MAINTAINING THE SYSTEM

HIGHLIGHTS OF THE YEAR

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The TTC took delivery in 1986 of 75 new 12-m buses. An additional 70 12-m buses were ordered for delivery in 1987 at a cost of $13.4 million.

•

The TTC ordered 90 articulated buses in 1986 at a cost of $29 million. Thirty of the bendable vehicles will be delivered in each of 1987, 1988 and 1989.

•

TTC crews renewed nearly 4.4 km (2.7 mi.) of streetcar track and more than 6.8 km (4.2 mi.) of subway track in 1986.

•

A special TTC-designed gantry crane vehicle is now in service to replace massive concrete beams on the Prince Edward Viaduct, which carries subway trains across the Don Valley.

•

Among 181 suggestions submitted by employees in 1986, one concerning an engine bypass filter on diesel buses will save the TTC approximately $17,000 in the first year and approximately $21,000 in subsequent years.

The highlights of operating and maintaining a public transit system that carried more than 440 million people in 1986 included taking delivery of 75 new 12-m (40-ft.) diesel buses and placing two major vehicle orders, including the first-ever purchase by the TTC of articulated buses.

To meet fast-growing ridership on several heavily travelled surface routes, the TTC placed an order with Ontario Bus Industries for 90 articulated Orion-Ikarus buses at a cost of approximately $29 million. These 18-m (60-ft.) vehicles can carry approximately 50 per cent more passengers than standard 12-m (40-ft.) buses and will prove valuable on high-density routes. Thirty of the diesel-powered vehicles are scheduled to be delivered in each of 1987, 1988 and 1989.

The TTC's second major bus order for 1987 delivery was for 70 standard diesel buses. General Motors of Canada will supply 50 of these vehicles; New Flyer Industries of Winnipeg is to provide the remaining 20 buses. The total cost of this equipment purchase is approximately $13.4 million.

TROLLEY COACHES RETAINED

Trolley coaches were assured of a future in the TTC fleet when the Commission decided to retain the electric-powered buses. The decision came after nearly a year of study and discussion about whether the extra costs associated with trolley coach operation could be justified. Their quiet, pollution-free operation was seen as an advantage on those routes that serve residential areas. The 150-vehicle trolley coach fleet operates over approximately 55.5 km (34.5 mi.) of routes on nine lines.

In the six-month period available during the year for surface track work, the TTC's annual streetcar track renewal programme replaced more than 4,370 m (14,300 ft.) of track on the 73.4-km (45.6-mi.) route network in 1986. Approximately 9,200 m (30,000 ft.) of overhead trolley wire was also replaced on various routes throughout the system.

The subway, backbone of the TTC system, challenges the crews of the Way Division with stringent time constraints. Working during the few hours available each night when the subway is closed, they repaired or replaced over 6,800 m (22,365 ft.) of track throughout the 54.4-km (33.8-mi.) system.

DESIGNING AND REBUILDING VEHICLES

A unique special-purpose, gantry crane maintenance vehicle also made its debut in 1986. Designed by the TTC and manufactured to order, the 22.8-m (75-ft.) vehicle is used to replace 6.5-m (20-ft.), 9-t (10-t.) concrete support beams on the Prince Edward Viaduct, which carries the subway high across the Don Valley. Previously an overhead crane assembly had been used, suspended from the steelwork below the road deck. This crane required six weeks to install and another six weeks to dismantle each time it was moved to a new location. Although the crane might span four beams, only one might need replacement, a task taking three months. Following unsuccessful efforts to locate machinery able to perform the job, TTC staff designed the special-purpose vehicle. In the first year of operation, crews using the new car replaced six of the massive beams, saving time and reducing the cost of this vital and complex task.

Rebuilding a 35-year-old PCC streetcar from the wheels up tested the TTC's workshop skills and capabilities in 1986. This project was undertaken to determine the feasibility of rehabilitating selected PCC vehicles with a view to extending their service lives by 10 years. The project was completed on time and under budget, and the car re-entered revenue service in September.

Engineering design work and site preparation for a new 250-bus Arrow Road garage neared completion in 1986 with building construction expected to begin in 1987. Located in the city of North York, the new facility will enable the TTC to operate bus routes and maintain vehicles serving the north-west quadrant of Metro in a more cost-effective manner. Completion of this, the TTC's 12th operating garage, is targeted for 1988.

STREETCAR OPERATORS *(left to right) Nancy McCallum, George Becker and Mary Ellen Smith are three of the 9,759 employees whose dedication and professionalism made the TTC the most widely honoured transit system in North America in 1986.*

HIGHLIGHTS OF THE YEAR

•

Metro Toronto Council approved the 7.6-km (4.8-mi.) Sheppard Avenue subway line as the first stage of the TTC's NETWORK 2011 rapid transit master plan for the future.

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The $51.0-million Harbourfront Light Rail Transit line received approval from Toronto City Council in 1986. It will be the first entirely new TTC streetcar line to be built in the city since the 1920s.

•

More than 100,000 persons a day use the multi-level Bloor-Yonge subway station, the major crossroads of the TTC system, an increase of 30,000 in the past three years.

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To ease congestion at Bloor-Yonge station, the multi-level facility will undergo an $8.9-million renovation starting in the summer of 1987.

•

A unique TTC engineering and construction challenge: build a new subway station on an existing line without stopping service. The $20-million North York Centre station will open in the summer of 1987 on the Yonge line.

•

Installation of the TTC's award-winning Communications & Information System (CIS) on the 2,000-vehicle surface fleet will begin in 1987.

•

The TTC serves the most transit-oriented city in North America: TTC per-capita ridership is equivalent to more than 200 rides for every resident of Metro Toronto.

The first step towards the rapid transit system of the 21st century was taken in 1986 when Metro Toronto Council voted in favour of building a new $664-million east-west subway line across northern Metro Toronto. The 7.6-km (4.8-mi.) Sheppard Avenue subway would be the first stage of NETWORK 2011, the TTC's 25-year, $2.7-billion rapid transit master plan unveiled in 1985. Construction of the new line could start in 1989 following examination of the project by the Ontario government, environmental and social impact studies, engineering and land acquisition.

NEW HARBOURFRONT SERVICE

Streetcar service on the city's Lake Ontario waterfront moved closer to reality in 1986 with approval by Toronto City Council to build the Harbourfront Light Rail Transit (LRT) line. Construction of this streetcar line is expected to begin in 1987 and will take approximately two years to complete. The $51.0-million Harbourfront LRT will operate from an underground turning loop in Union Station, surfacing on Bay Street, then running along Queen's Quay on a private right of way to a turning loop at the south end of Spadina Avenue. As the first entirely new TTC streetcar line to be built in the city of Toronto since the 1920s, it will serve a unique area of the city, one that combines major cultural and recreational attractions with extensive new residential development.

Riders using the Bloor-Yonge station, the major crossroads of the subway system, will welcome substantial changes that are on the way to provide relief from rush-hour crowding that has become acute in the multi-level station. More than 100,000 riders a day enter, leave or change trains in the station, an increase of approximately 30,000 in the past three years. To remedy the situation the TTC has approved a four-year, $8.9-million renovation programme to begin in 1987. Patrons will benefit from two new entrances, wider platforms and the removal of wall sections to improve access to platforms on the Yonge line. A new automatic entrance from Yonge Street will provide direct access to the lower-level Bloor-Danforth line for approximately 12,000 riders a day, allowing them to bypass crowds on the mezzanine of the upper-level Yonge line and on connecting stairways. Each passenger platform on the Yonge line will be widened by removing approximately 60 m (200 ft.) of the walls, and a second new station entrance will be constructed from Hayden Street, south of Bloor Street, as part of a new private development to be built above the station.

Progress continued in 1986 on a unique TTC engineering and construction challenge, the new $19.9-million North York Centre subway station. The project required the station structure to be built around the existing Yonge Street subway line, which continued to operate throughout the two-year construction period. The TTC's 60th subway station, North York Centre will serve the heart of a $250-million civic and commercial complex in the city of North York when it opens in mid-1987.

COMPUTERS ON BOARD

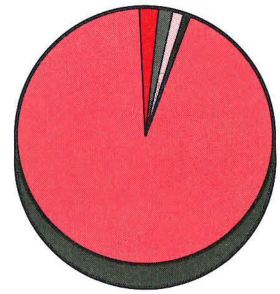
Following more than 10 years of design, development and in-service testing on 250 buses at one TTC operating division, the Commission received approval from Metro Council to proceed with a $39.6-million system-wide expansion of the computer-based Communications and Information System (CIS). The system uses special microprocessors, designed and developed by the TTC, aboard vehicles to relay speed, location and passenger load information to a control centre. Inspectors using video display consoles can track CIS-equipped vehicles and communicate with operators to adjust service and correct schedule variations, bunching or overloading. Installation of the system is to begin in 1987 on the streetcar fleet and on buses operating from the TTC's Malvern Division. The award-winning technology is expected to be aboard all 2,000 vehicles in the TTC surface fleet by the early 1990s.

DRAFTING SUPERVISOR *Dave Curlette, planner Mary Ann George and draftspersons Dave Sutherland and Lauri Morris work on plans for future transit. Says Curlette: "Some of the plans I've been involved with have become reality ... in a small way I feel I've contributed to the growth of the city."*

TTC FARES
AT DECEMBER 31, 1986

	Fares	Revenue Passengers millions	%
Tokens			
Adult	5 for $4.00	126.2	28.6
Tickets			
Adult	5 for $4.00	42.1	9.5
	2 for $1.90	7.3	1.7
Scholar	5 for $2.00	38.0	8.6
Senior Citizen	5 for $2.00	24.9	5.6
Child	4 for $1.00	12.1	2.7
Cash			
Adult	$1.00	66.5	15.1
Scholar	$0.60	10.9	2.5
Child	$0.45	3.8	0.9
Passes			
Metropass	$41.50	101.9	23.1
Seniors' Pass	$27.25	3.3	0.8
Family Pass	$ 3.30	0.7	0.2
Other			
Postal Contract		1.8	0.4
Blind and War Amputees		1.5	0.3
		441.0	100.0

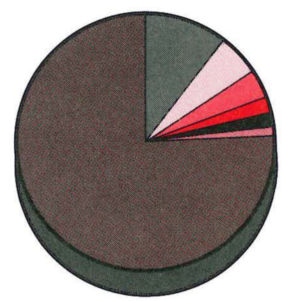
Note:
The split of passengers and revenue by category is estimated on the basis of collection of tickets and tokens and a sample analysis of cash fares.



1986 REVENUE

Total Revenue: $334,840,000

- Regular Service, Including Fare Grants $314,574,000 (93.9%)
- Charters and Special Services $2,257,000 (0.7%)
- Rental Income $7,138,000 (2.1%)
- Advertising $6,002,000 (1.8%)
- Other Income $4,869,000 (1.5%)



1986 EXPENSES

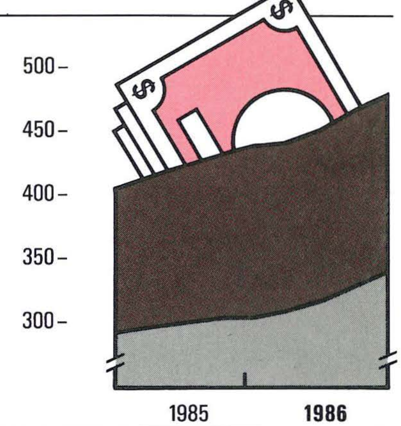
Total Expenses: $460,980,000

- Wages, Salaries and Other Employee Costs $349,400,000 (75.8%)
- Materials, Services and Supplies $50,304,000 (10.9%)
- Electric Traction Power $17,412,000 (3.8%)
- Automotive Fuel, Vehicle and Other Licences $22,299,000 (4.8%)
- Municipal Taxes $4,642,000 (1.0%)
- Public Liability Costs $8,403,000 (1.8%)
- Depreciation and Debenture Interest $8,520,000 (1.9%)

OPERATING RESULTS

Revenue increased to $334.8 million, primarily as a result of the 6.8% fare increase on January 2, a 2.0% increase in ridership and a gain of $2.1 million on the sale of Parkdale Garage. Expenses rose to $461.0 million because of wage increases aggregating 5.7%, a 2.0% increase in service operated and general inflation. Because revenue was higher than anticipated, operating subsidy increased by only 0.6%.

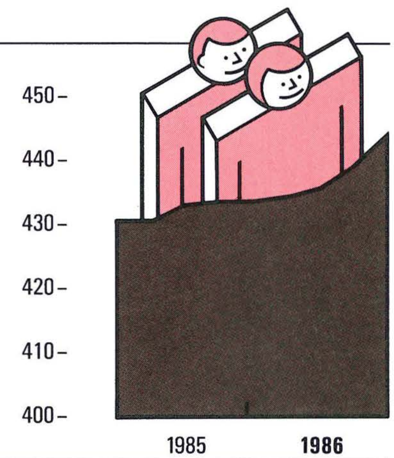
	1986	1985	Increase (Decrease)	%
■ Revenue ($ millions)	**334.8**	301.6	33.2	11.0
□ Operating subsidy ($ millions)	**126.2**	125.4	0.8	0.6
Expenses ($ millions)	**461.0**	427.0	34.0	8.0



PASSENGERS

Ridership increased to a record 441.0 million, mainly because of the improved economy in Metro Toronto evidenced by higher employment and retail trade, service improvements and increased cross-boundary travel by non-Metro residents. The subsidy per passenger carried actually declined in 1986.

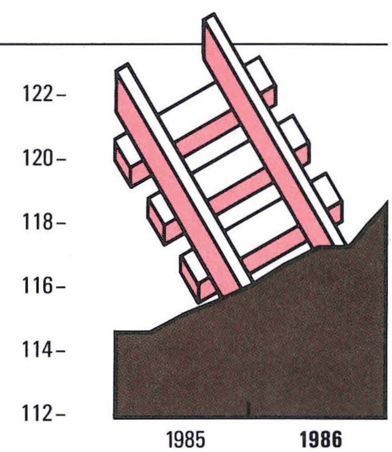
	1986	1985	Increase (Decrease)	%
Passengers (millions)	**441.0**	432.2	8.8	2.0
Revenue per passenger	**75.9¢**	69.8¢	6.1¢	8.7
Operating subsidy per passenger	**28.6¢**	29.0¢	(0.4)¢	(1.4)
Expenses per passenger	**104.5¢**	98.8¢	5.7¢	5.8



MILES

Miles operated increased primarily because of improved bus and subway service and a full year's operation of the Scarborough RT line.

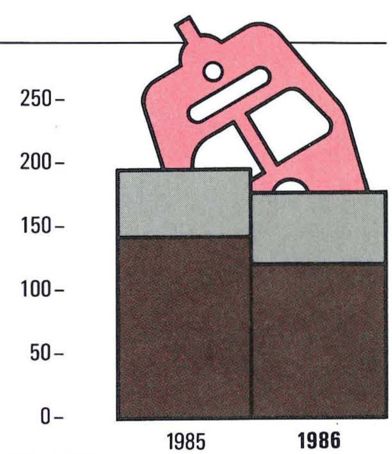
	1986	1985	Increase (Decrease)	%
Miles (millions)	**118.2**	115.9	2.3	2.0
Revenue per mile	**283.2¢**	260.2¢	23.0¢	8.8
Operating subsidy per mile	**106.8¢**	108.2¢	(1.4)¢	(1.3)
Expenses per mile	**390.0¢**	368.4¢	21.6¢	5.9



CAPITAL EXPENDITURES

Expenditures in 1986 were primarily for progress payments on the subway car and articulated light rail vehicle contracts and for the purchase of 75 buses.

	1986	1985	Increase (Decrease)	%
■ Revenue vehicle acquisition ($ millions)	**120.1**	129.8	(9.7)	(7.5)
□ Other capital projects ($ millions)	**48.2**	58.7	(10.5)	(17.9)
Total ($ millions)	**168.3**	188.5	(20.2)	(10.7)



REVENUE

(thousands of dollars)	1986	1985	Increase (Decrease)	%
Regular service	**302,719**	275,097	27,622	10.0
Fare grants	**11,855**	10,763	1,092	10.1
Regular service, including fare grants	**314,574**	285,860	28,714	10.0
Charters and special services	**2,257**	1,882	375	19.9
	316,831	287,742	29,089	10.1
Rental income	**7,138**	6,251	887	14.2
Advertising	**6,002**	5,268	734	13.9
Other income	**4,869**	2,325	2,544	109.4
Total revenue	**334,840**	301,586	33,254	11.0

REGULAR SERVICE, INCLUDING FARE GRANTS

Regular service, or "passenger" revenue, including fare grants from Metro Toronto, amounted to $314,574,000 in 1986. Fares were increased on January 2, 1986, resulting in an overall increase in the average fare of 6.8%. The adult ticket and token fare was increased to 5 for $4.00 (80.0¢), and the adult cash fare rose to $1.00. The fare increase generated $22.9 million in additional revenue. Ridership grew to a new all-time high of 441.0 million, which generated an additional $5.8 million in revenue. Additional ridership was due to employment growth in areas with high transit accessibility, service improvements and increased cross-boundary transit travel by non-Metro residents. The most significant factor contributing to the increase in ridership is the continued growth in the use of Metropass.

As in previous years, Metro Toronto continued to provide grants that allow senior citizens to travel at half fare, the blind and war amputees to travel free and, beginning in 1985, eligible war veterans to use seniors' fares. The amounts of Metro grants in 1986 were: senior citizens – $11,059,000; blind and war amputees – $676,000; eligible war veterans – $120,000.

CHARTERS AND SPECIAL SERVICES

Charter revenue totalled $1,478,000, 30.0% higher than in 1985. This was mainly because of increased charter business, resulting from an increase in the number of conventions and special events held in the Metro area, together with an increase in rates for most charter services. Special services revenue increased slightly, to $779,000.

RENTAL INCOME

Rental from station concessions and leases of property totalled $3,336,000, an increase of 9.5% from 1985. Parking lot net revenues totalled $1,972,000, a 24.5% increase over 1985, primarily as a result of a parking fee increase in most lots from $1.25 to $1.50 on July 1, 1986. Other rental income totalled $1,830,000.

ADVERTISING

Advertising revenue is obtained from advertisements on the TTC's vehicles and property. Advertising revenue increased significantly in 1986 as a result of greater sales volume achieved by the advertising contractor.

OTHER INCOME

Major items include the one-time gain on sale of Parkdale Garage ($2,130,000), the recovery of administrative and other costs for construction projects and for work done for others ($858,000) and dividends from Gray Coach Lines, Limited ($500,000).

(thousands of dollars)	1986	1985	Increase (Decrease)	%
Wages, salaries and other employee costs	**349,400**	325,486	23,914	7.3
Materials, services and supplies	**50,304**	43,794	6,510	14.9
Electric traction power	**17,412**	16,408	1,004	6.1
Automotive fuel, vehicle and other licences	**22,299**	22,378	(79)	(0.4)
Municipal taxes	**4,642**	4,174	468	11.2
Public liability costs	**8,403**	6,258	2,145	34.3
Depreciation and debenture interest	**8,520**	8,474	46	0.5
Total expenses	**460,980**	426,972	34,008	8.0

WAGES, SALARIES AND OTHER EMPLOYEE COSTS

Wage and salary costs increased to $298,063,000, while the Commission's share of pension contributions and other employee benefit costs totalled a further $51,337,000. General wage increases granted in 1985 and 1986 resulted in a composite year-over-year increase of 5.7%. Specifically, a 4.5% wage increase became effective on July 1, 1985, a 1.25% increase was effective January 1, 1986, and a further 4.25% was effective July 1, 1986. In addition, the TTC work-force increased by 1.2%, and employee benefit costs increased by 10.2%.

An analysis of wage and salary costs by function is shown on page 18.

MATERIALS, SERVICES AND SUPPLIES

This expense is the cost of materials, services and supplies of items not shown separately in the table above. These costs are also analysed on page 18.

ELECTRIC TRACTION POWER

Electric vehicles operated 58.3 million miles in 1986, up 2.3% over 1985. The cost of electric traction power further increased in 1986, because of rate increases that averaged 3.7%.

AUTOMOTIVE FUEL, VEHICLE AND OTHER LICENCES

The TTC's bus fleet operated 60.7 million miles in 1986, up 1.9% from 1985. The price of diesel fuel decreased from 41.3¢ per litre in 1985 to 39.7¢ per litre in 1986.

MUNICIPAL TAXES

Realty and business taxes are payable on all Commission properties, except those used for rapid transit purposes. The increase in taxes is due to an average mill rate increase of 6.2%, combined with municipal taxes for the full year on the Duncan Shops building, which opened in 1985. Offsetting these increases were savings due to the sale of the Parkdale Garage in 1985.

PUBLIC LIABILITY COSTS

Public liability costs consist of premiums for catastrophe insurance, payments for self-insured claims and an increase in the provision for unsettled claims. Fewer claims were paid in 1986 than in 1985; however, the average value of claims paid increased significantly. In addition, the provision for outstanding claims at December 31, 1986, was increased by $3 million to allow for the much greater number and value of claims outstanding at the year-end.

DEPRECIATION AND DEBENTURE INTEREST

This expense relates to the Commission's share of capital debt issued to finance the construction of subway lines prior to 1968, and to the annual amortization of the Commission's investment (net of municipal and provincial subsidies) in its capital assets.

EXPENSES BY FUNCTION

(thousands of dollars)	1986	1985	Increase (Decrease)	%
Wages, salaries and other employee costs				
Vehicle operation	**197,090**	184,576	12,514	6.8
Vehicle maintenance	**75,730**	70,752	4,978	7.0
Non-vehicle maintenance	**41,388**	38,704	2,684	6.9
General and administration	**35,192**	31,454	3,738	11.9
	349,400	325,486	23,914	7.3
Materials, services and supplies				
Vehicle operation	**1,671**	1,549	122	7.9
Vehicle maintenance	**22,596**	18,703	3,893	20.8
Non-vehicle maintenance	**16,126**	13,685	2,441	17.8
General and administration	**9,911**	9,857	54	0.5
	50,304	43,794	6,510	14.9

VEHICLE OPERATION

Approximately 50% of the operating work-force is involved in vehicle operations – operators, station collectors, inspectors, training staff and Transportation Department management. Labour costs increased in 1986, mainly because of the general wage adjustment and the increased work-force required in connection with the 2.0% increase in miles operated.

VEHICLE MAINTENANCE

Servicing, maintaining and repairing the revenue fleet employs approximately 25% of the Commission's work-force. Labour costs increased mainly as a result of the general wage adjustment, together with additional maintenance work associated with re-wheeling the Canadian Light Rail Vehicles (CLRVs) and with operating the Scarborough RT line for a full year. The increase in non-labour costs reflects general inflation in material costs, additional maintenance because of the greater mileage operated, and a full year's operation of the Scarborough RT line, including additional costs associated with the expiration of the warranty period on the ICTS vehicles.

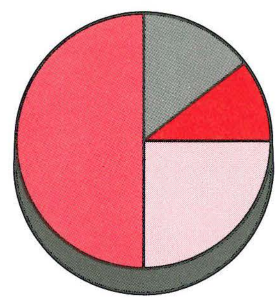
NON-VEHICLE MAINTENANCE

Maintaining the Commission's garages, carhouses, repair shops and administrative facilities, as well as the track and wiring along the subway and surface routes, occupies approximately 15% of the work-force. The increase in labour costs is the result of the general wage increase, additional maintenance on the subway system and an increase in maintenance staff required for the new buildings opened in 1985 and 1986. Non-labour costs increased primarily because of inflation, increases in major project costs, such as building renovations, and a full year's maintenance of the Scarborough RT line and new shop facilities.

GENERAL AND ADMINISTRATION

The general and administrative functions include the executive, finance, marketing and community relations, human resources, materials and procurement, planning, safety and security, legal and management services operations. These activities account for approximately 10% of the work-force.

Labour cost increases were mainly due to the general salary adjustment. In addition staff increases were required primarily in the areas of computer operations, marketing and community relations, materials and procurement and fare processing. The labour-intensive operations of dollar bill processing increased significantly as the volume of dollar bills handled increased from $27.2 million in 1985 to $43.2 million in 1986.



EXPENSES BY FUNCTION

Total Expenses: $399,704,000

- Vehicle Operation $198,761,000 (49.7%)
- Vehicle Maintenance $98,326,000 (24.6%)
- Non-vehicle Maintenance $57,514,000 (14.4%)
- General and Administration $45,103,000 (11.3%)

CAPITAL EXPENDITURES

(thousands of dollars)	1986	1985	Increase (Decrease)
Revenue vehicle acquisition	**120,093**	129,789	(9,696)
Other capital projects	**48,206**	58,663	(10,457)
	168,299	188,452	(20,153)

Revenue Vehicle Acquisition		**Other Capital Projects**	
126 subway cars (progress payments)	**59,967**	New maintenance facilities	9,273
52 Articulated Light Rail		North York Centre station	7,898
Vehicles (progress payments)	**43,975**	Surface and subway track	5,136
75 buses	**12,864**	Computer equipment	2,963
6 Intermediate Capacity Transit System		Subway station modernization programme	2,855
vehicles (progress payments)	**3,058**	Other capital projects	20,081
30 Wheel-Trans vehicles (progress payments)	**229**		
	120,093		48,206

These figures do not include Metro Toronto's direct expenditure for land purchased for subway and other projects, or Metro municipalities' costs for constructing transit shelters.

REVENUE VEHICLE ACQUISITION

126 subway cars:

Further progress payments were made towards the purchase of 26 additional and 100 replacement cars.

52 ALRVs:

Further progress payments were made towards the purchase of 52 ALRVs. These vehicles will replace most of the remaining fleet of PCC cars.

75 buses:

Seventy-five 40-foot buses were purchased in 1986: 26 to replace retired vehicles and 49 for service expansion.

6 ICTS vehicles:

The purchase of these vehicles is required to meet ridership growth on the Scarborough RT line.

30 Wheel-Trans vehicles:

Progress payments for the purchase of 30 Orion II vehicles for use in the Wheel-Trans service were completed in 1986. These vehicles will partially replace the Mighty-Mite vehicles currently in service.

OTHER CAPITAL PROJECTS

New maintenance facilities:

Expenditures in 1986 were primarily for the construction of the new fare-processing building, which opened in 1986.

North York Centre station:

Work continued on the new North York Centre station, which is scheduled to open in June 1987.

Surface and subway track:

Surface track projects are undertaken in conjunction with Metro Toronto and the City's programme for repaving the streets. Subway track projects in 1986 consisted primarily of reinsulating the negative rail on the Bloor-Danforth subway and track replacement at the Greenwood Yard.

Computer equipment:

Expenditures in 1986 consisted of upgrades to the central computer and purchases of a scheduling computer and several personal computers.

Subway station modernization programme:

Work done in 1986 was at the Eglinton, St. Clair, Summerhill and Wellesley stations.

Other capital projects:

These include subway ventilation and asbestos removal projects, garage improvements, new fare boxes, initial costs for a new bus garage, studies related to proposed new transit lines, shop and garage equipment, automotive service vehicles, office furniture and equipment, the TIMELINE project and other capital acquisitions.

(thousands of dollars)	1986	1985	Increase (Decrease)
Operating Expenses			
By the Commission	**460,980**	426,972	34,008
By Metro and Metro municipalities	**23,580**	21,006	2,574
	484,560	447,978	36,582
Financed from			
Commission revenue	**334,840**	301,586	33,254
Metro and Metro municipalities	**78,120**	76,692	1,428
Provincial subsidy	***71,600**	*69,700	*1,900
	484,560	447,978	36,582
Capital Expenditures			
By the Commission	**168,299**	188,452	(20,153)
By Metro and Metro municipalities	**2,020**	2,712	(692)
	170,319	191,164	(20,845)
Financed from			
Provincial subsidy	***123,700**	*145,400	*(21,700)
Metro and Metro municipalities	**35,667**	35,207	460
Commission	**10,952**	10,557	395
	170,319	191,164	(20,845)

*Subject to provincial audit and approval.

OPERATING EXPENSES

Financing is based on a fair-share agreement under which the Commission aims to provide approximately 68% of expenses (as defined for provincial subsidy purposes) from its revenues. The Municipality of Metropolitan Toronto and the Province of Ontario assume the remaining expenses on an approximately equal basis. In practice, the 68% revenue/cost target is arrived at through the Commission's budget-setting procedures, which forecast numbers of passengers, service to be operated and required fare increases. Actual financial results may result in these percentages fluctuating slightly above and below the targets from year to year.

The current provincial subsidy formula is based on a sliding scale, which provides for a basic subsidy of 13.75% of eligible expenses plus 25% of the shortfall between the actual revenue/cost ratio and the target of 72.5% for Toronto, up to a maximum of 15.47%.

The province also pays special operating subsidies to municipalities with new major transit facilities and for the additional operating costs of the Scarborough RT line that resulted from use of the ICTS system instead of the originally planned streetcar (LRT) system.

In 1986, the operating subsidy requirement assumed by Metro Toronto amounted to $126,140,000. Metro and the Metro municipalities incurred further costs totalling $23,580,000. These were primarily for debenture debt payments, senior citizens' fare subsidy and maintenance of transit shelters. The provincial contribution amounted to $71,600,000 (subject to provincial audit), and Metro's residual cost was $78,120,000.

Adjustments of the figures in the table in accordance with provincial subsidy regulations result in a 1986 cost-sharing as follows:

TTC revenues	69.5%
Provincial subsidy	15.9%
Metro and Metro municipalities	14.6%

CAPITAL EXPENDITURES

Capital expenditures totalled $168,299,000, including $140,031,000 for new rapid transit construction and major vehicle purchases included in the Metro Capital Works Programme and $28,268,000 for the purchase of buses and for the replacement and renovation of surface and general facilities included in the Commission's capital budgets.

Metro assumes the full cost of the projects included in the Capital Works Programme, including land purchased directly by Metro and not recorded on the Commission's books ($1,781,000). Metro receives a 75% provincial subsidy for substantially all of these costs. The province has also agreed to pay the additional 25% of the extra costs required to construct the Scarborough RT line using ICTS rather than CLRV technology.

Capital budget expenditures are assumed by the Commission, with the exception of costs for transit shelters, which are paid for by the Metro municipalities. The province pays a 75% provincial subsidy on most projects but does not subsidize automotive service vehicles, revenue collection equipment, office furniture and equipment, and certain other minor items.

Provincial subsidies on capital expenditures in 1986 amounted to $123,700,000 (subject to provincial audit), including $2,700,000 for the additional 25% subsidy for the Scarborough RT line. The Commission's contribution was $10,952,000, and the remaining $35,667,000 was financed by Metro and the Metro municipalities.

STATEMENT OF REVENUE AND EXPENSES

(in thousands)	Year ended December 31 1986	1985
Revenue from operations:		
Passenger services	**$316,831**	$287,742
Rental of land, air rights, buildings, subway concessions and equipment	**7,138**	6,251
Rental of advertising space	**6,002**	5,268
Dividend from Gray Coach Lines, Limited	**500**	500
Miscellaneous	**4,369**	1,825
Total revenue	**334,840**	301,586
Operating subsidy (Note 2)	**126,140**	125,386
Total revenue and operating subsidy	**$460,980**	$426,972
Expenses:		
Wages, salaries and other employee costs	**$349,400**	$325,486
Materials, services and supplies other than the items shown below	**50,304**	43,794
Electric traction power	**17,412**	16,408
Automotive fuel, including federal and provincial taxes	**21,709**	21,818
Vehicle and other licences	**590**	560
Municipal taxes	**4,642**	4,174
Public liability costs	**8,403**	6,258
Depreciation	**8,103**	7,938
Debenture interest	**417**	536
Total expenses	**$460,980**	$426,972

AUDITORS' REPORT

Price Waterhouse

April 14, 1987

To the Chairman and Members of the Toronto Transit Commission:

We have examined the balance sheet of the Toronto Transit Commission as at December 31, 1986, 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, 1986, 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

Chartered Accountants	*Metropolitan Auditor*
Toronto, Ontario	*Toronto, Ontario*

BALANCE SHEET

(in thousands)	December 31 1986	1985
ASSETS		
Current assets:		
Cash	$ 5,184	$ 650
Accounts receivable –		
The Municipality of Metropolitan Toronto	80,128	65,432
Gray Coach Lines, Limited – current account	3,743	3,841
Other	6,424	3,469
Materials and supplies	21,200	16,875
Working funds and prepaid expenses	2,663	2,923
	119,342	93,190
Investment in capital stock of Gray Coach Lines, Limited (Note 3)	1,000	1,000
Capital assets:		
Land, buildings, subway, power distribution system, trackwork, rolling stock, buses and other equipment	1,480,735	1,440,960
Less: Capital contributions	(1,249,288)	(1,214,313)
	231,447	226,647
Less: Accumulated depreciation	(152,497)	(150,546)
	78,950	76,101
Under construction and not yet in service	256,246	133,895
Less: Capital contributions	(256,246)	(133,895)
	-	-
Net capital assets	78,950	76,101
	$ 199,292	$ 170,291
LIABILITIES		
Current liabilities:		
Accounts payable, accrued liabilities and cheques in transit	$ 118,971	$ 90,283
Current portion of capital debt (Note 4)	1,525	1,446
	120,496	91,729
Provision for:		
Tickets and tokens held by the public	11,750	11,750
Public liability	8,000	5,000
	19,750	16,750
Long-term portion of capital debt due to the Municipality of Metropolitan Toronto (Note 4)	13,861	16,627
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 1972)	20,381	20,381
	45,185	45,185
	$199,292	$170,291

STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands)	Year ended December 31 1986	1985
Cash used in operations:		
Net operating costs	**$126,140**	$125,386
Depreciation	**(8,103)**	(7,938)
Increase in provisions	**(3,000)**	(2,100)
	115,037	115,348
Decrease (increase) resulting from changes in –		
Accounts receivable	**17,553**	20,022
Materials and supplies	**4,325**	445
Working funds and prepaid expenses	**(260)**	136
Accounts payable, accrued liabilities and cheques in transit	**(28,688)**	(19,830)
	107,967	116,121
Net cash used in the acquisition of capital assets	**168,299**	188,452
Cash received from (used in) financing activities:		
Operating subsidy	**126,140**	125,386
Capital contributions	**157,347**	177,895
Debenture debt repayment	**(2,687)**	(2,650)
	280,800	300,631
Increase (decrease) in cash	**4,534**	(3,942)
Cash, beginning of year	**650**	4,592
Cash, end of year	**$ 5,184**	$ 650

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES:

The Toronto Transit Commission was established on January 1, 1954, to serve the transportation needs of the municipalities comprising the Municipality of Metropolitan Toronto. The new entity assumed all the assets and liabilities of the former Toronto Transportation Commission.

The accounting policies followed in the preparation of the financial statements for the Toronto Transit Commission are in accordance with generally accepted accounting principles and have been consistently applied. The significant accounting policies are as follows:

a. Revenue Recognition

i) Passenger revenue is recognized when tickets and tokens are used. Revenue from monthly passes is recognized in the period in which the passes are valid.

ii) All other revenue, with the exception of dividends from an unconsolidated subsidiary (Gray Coach Lines, Limited), is recorded on an accrual basis.

b. Materials and Supplies

Inventories of materials and supplies are valued at average cost. Materials and supplies are expensed or capitalized when issued.

c. Investment in Subsidiary

The investment in the capital stock of Gray Coach Lines, Limited is carried at cost. The accounts of the subsidiary are not consolidated with those of the Commission because consolidation is not considered to be the more informative presentation in the circumstances. The earnings of the Company after payment of dividends to the Commission are retained to maintain and improve the services and facilities for the benefit of the population it serves and are not likely to accrue to the Commission.

Dividends declared by Gray Coach Lines, Limited are recorded as revenue by the Commission when received.

d. Capital Assets and Capital Contributions

The Commission constructs or purchases its capital assets and receives capital contributions as described below. Capital assets are recorded at gross cost in the financial statements and the capital contributions received are recorded as a deduction from this cost. The Commission does not accrue for construction holdbacks on projects where the Municipality of Metropolitan Toronto has complete financial responsibility. These holdbacks are not included in the financial statements as they do not enter into the undernoted capital contribution calculation until actually paid by the Commission. At December 31, 1986, these holdbacks amounted to $1,180,000 (1985 - $766,000). Land purchased directly by the Municipality, mainly for rapid transit purposes, is not recorded on the Commission's books.

The current bases for capital contributions are as follows:

i) For additions and improvements to the subway and light rail systems and equipment and for certain other projects, 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, including buses, the Commission receives from the Province a 75% capital contribution that is paid through the Municipality.

iii) For the Scarborough RT Line, the Municipality paid the full cost and recovered 87% of this amount from the Province under a special funding agreement. This agreement provided that the Province would pay its regular 75% subsidy on the equivalent cost of a conventional streetcar line and fully pay the additional costs resulting from the decision to construct an Intermediate Capacity Transit System (ICTS) line.

e. Depreciation

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

f. Taxes

The Commission is not subject to income taxes and receives exemption from certain property taxes.

g. Workers' Compensation

The Commission, as a Schedule II employer under the Workers' Compensation Act, follows a policy of self insurance for all its employees including those assigned to Gray Coach Lines, Limited. Payments made to employees for accidents suffered while employed are expensed when made. As at December 31, 1986, the present value of awards outstanding is approximately $7.3 million, which amount has not been recognized in the financial statements.

2. OPERATING SUBSIDY:

By agreement with the Municipality of Metropolitan Toronto, the Commission establishes its fares each year at the level required to produce total budgeted revenue from operations equal to 68% of total operating expenses (as defined for provincial subsidy purposes). The Municipality undertakes in its budget to provide an operating subsidy equal to the remaining expenses.

The Municipality in turn obtains subsidies from the Province of Ontario related to eligible transit operating expenses, revenue/cost relationships and special subsidies for major new transit facilities on exclusive rights of way.

Under these arrangements, if actual revenue and expenses for the year are equal to the budgeted figures, the operating subsidy is shared approximately equally by the Municipality and the Province.

The actual funding of transit operating expenses (as defined for provincial subsidy purposes) is expected to be as follows:

	1986	1985
By the Commission	**69.5%**	68.1%
By the Municipality	**14.6%**	15.7%
By the Province of Ontario	**15.9%**	16.2%

3. GRAY COACH LINES, LIMITED:

Gray Coach Lines, Limited, a wholly-owned subsidiary of the Toronto Transit Commission, operates interurban coach services and, through its subsidiary, Gray Coach Travel Inc., a travel business. Its consolidated financial statements are published separately.

The Company's fares and routes are regulated by the Province of Ontario and a significant part of the Company's operations have been carried out under an agreement with the Toronto Area Transit Operating Authority as part of the "GO Transit" commuter system. During 1984, it was agreed that a phase-out of the Company's operation of "GO Transit" routes would occur over the five-year period ending in 1989.

The Company's operations are summarized as follows:

Gray Coach Lines, Limited (including Gray Coach Travel Inc.)

(in thousands)	Year ended December 31 **1986**	1985
Revenue	**$46,886**	$47,047
Expenses, including Ontario income taxes	**43,831**	45,976
Net earnings for the year	**$ 3,055**	$ 1,071

The Company's balance sheet is summarized as follows:

(in thousands)	**1986**	1985
ASSETS	December 31	
Current assets	**$ 6,647**	$ 7,195
Term investments held for replacement of terminals and public liability settlements	**6,500**	6,500
Other assets	**145**	-
Capital assets, at cost less accumulated depreciation	**17,967**	18,558
	$31,259	$32,253
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities	**$ 6,201**	$ 9,751
Provisions, mainly for public liability, workers' compensation and deferred taxes	**2,313**	2,112
Capital stock, reserve and retained earnings	**22,745**	20,390
	$31,259	$32,253

The Statement of Revenue and Expenses reflects charges of $6,262,000 in 1986 ($6,836,000 in 1985) made to Gray Coach Lines, Limited by the Commission for rental of property and equipment, use of joint facilities and administrative services.

Included in Gray Coach Lines, Limited's current liabilities is an amount of $700,000 relating to dividends paid to the Commission in March, 1987.

4. 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, 1986, the net capital debt of the Commission was as follows:

(in thousands)	**1986**	1985
Serial debentures -		
5¾% final instalment due 1992	**$ 1,420**	$ 1,616
5½% final instalment due 1993	**3,909**	4,357
5¼% final instalment due 1995	**9,409**	10,211
	14,738	16,184
Less: Current portion	**1,525**	1,446
	13,213	14,738
Sinking fund debentures -		
4½% due 1986	-	2,599
5% due 1993	**2,105**	2,105
6% due 1996	**8,690**	8,690
6% due 1997	**3,085**	3,085
7% due 1997	**3,653**	3,653
	17,533	20,132
Less: Sinking fund investments	**16,885**	18,243
	648	1,889
	$13,861	$16,627

Serial debenture payments required in each of the next five years are approximately $1,696,000. Scheduled sinking fund payments will be funded by excess earnings of the sinking fund.

Sinking fund investments consist of:

(in thousands)	**1986**	1985
(i) The accumulated 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 required to provide sufficient funds to retire the debenture at maturity	**$10,078**	$11,917
(ii) The Commission's equity in the actual earnings of the sinking fund in excess of the 3% rate	**6,807**	6,326
	$16,885	$18,243

5. PENSIONS:

The Commission has a contributory pension plan covering substantially all employees including those assigned to Gray Coach Lines, Limited. The Commission and employees contribute equally to the Pension Fund Society. The rate of contribution for 1986 for each member and the Commission was 7.85% of wages and salaries less the amount required to be contributed to the Canada Pension Plan.

The contribution by the Commission covers both its share of current service costs and amounts required to liquidate the unfunded liability of the plan over the periods prescribed by law. As at January 1, 1986, this unfunded liability, which results from improvements made to the plan in 1985 and prior years, amounted to approximately $101.1 million (1985 - $120.8 million). The decrease in unfunded pension costs is primarily the result of plan earnings in excess of projected amounts.

6. COMPARATIVE BALANCES:

Certain 1985 figures have been restated to reflect format changes made to the statements in 1986.

	1977	1978	1979
PASSENGERS/OPERATING REVENUE			
Passengers (Millions)	348.7	337.6	346.2
Basic Adult Ticket Fare (at December 31)	40.0¢	42.9¢	50.0¢
Total Operating Revenue ($ Millions)	137.7	146.0	165.9
Operating Revenue per Mile	145.9¢	147.9¢	167.6¢
Operating Revenue per Passenger	39.5¢	43.2¢	47.9¢
OPERATIONS/EXPENSES			
Miles Operated, Including Charters and Special Services (Millions)			
Bus	46.9	46.9	48.1
Subway Car	33.8	38.2	37.7
Streetcar	9.5	9.4	9.1
Trolley Coach	4.2	4.2	4.1
Scarborough RT	–	–	–
	94.4	98.7	99.0
Average Number of Employees (Including Gray Coach Lines, Limited)	8,525	8,632	8,703
Average Hourly Wages and Benefits per Driver	$9.62	$10.27	$10.81
Total Expenses ($ Millions)	180.0	196.4	211.6
Expense per Mile	190.7¢	199.0¢	213.7¢
Expense per Passenger	51.6¢	58.2¢	61.1¢
OPERATING SUBSIDY			
Operating Subsidy ($ Millions)	42.3	50.4	45.7
Operating Subsidy per Mile	44.8¢	51.1¢	46.2¢
Operating Subsidy per Passenger	12.1¢	14.9¢	13.2¢
REVENUE/COST RATIO	71.6%	69.0%	72.9%
CAPITAL ASSETS			
Investment in Capital Assets (before depreciation and contributions) at December 31 ($ Millions)			
Rapid Transit	726.8	786.8	827.3
Surface	125.0	126.6	134.5
	851.8	913.4	961.8
Metro and Provincial Contributions	637.6	701.0	748.2
TTC Investment (before depreciation)	214.2	212.4	213.6
Vehicle Fleet (Owned and Leased)			
Buses	1,235	1,219	1,231
Subway Cars	534	590	618
Trolley Coaches	151	151	151
Streetcars	354	344	342
CLRVs	–	–	17
ICTS Vehicles	–	–	–
Wheel-Trans Buses	–	–	–
	2,274	2,304	2,359

1980	1981	1982	1983	1984	1985	1986	% Increase (Decrease) 1977–1986
366.4	392.0	401.2	405.7	427.7	432.2	**441.0**	26.5
50.0¢	57.1¢	62.5¢	66.7¢	70.0¢	73.8¢	**80.0¢**	100.0
183.6	215.0	240.9	259.4	283.2	301.6	**334.8**	143.1
181.1¢	199.3¢	212.4¢	228.5¢	247.3¢	260.2¢	**283.2¢**	94.1
50.1¢	54.9¢	60.0¢	63.9¢	66.2¢	69.8¢	**75.9¢**	92.2
49.3	52.1	56.8	57.2	58.2	59.0	**60.0**	27.9
38.6	42.6	43.2	43.1	43.3	43.3	**44.1**	30.5
9.4	9.3	9.4	9.3	9.2	9.1	**9.0**	(5.3)
4.1	3.9	4.0	3.9	3.8	3.6	**3.5**	(16.7)
–	–	–	–	–	0.9	**1.6**	
101.4	107.9	113.4	113.5	114.5	115.9	**118.2**	25.2
8,689	8,906	9,200	9,414	9,614	9,772	**9,759**	14.5
$11.67	$14.13	$15.49	$16.50	$17.43	$18.40	**$19.49**	102.6
236.8	284.4	333.8	362.8	393.0	427.0	**461.0**	156.1
233.5¢	263.6¢	294.3¢	319.6¢	343.2¢	368.4¢	**390.0¢**	104.5
64.6¢	72.6¢	83.2¢	89.4¢	91.9¢	98.8¢	**104.5¢**	102.5
53.2	69.4	92.9	103.4	109.8	125.4	**126.2**	198.3
52.4¢	64.3¢	81.9¢	91.1¢	95.9¢	108.2¢	**106.8**	138.4
14.5¢	17.7¢	23.2¢	25.5¢	25.7¢	29.0¢	**28.6**	136.4
71.3%	71.1%	68.6%	68.5%	69.3%	68.1%	**69.5%**	
836.3	841.6	885.4	971.9	1,060.0	1,149.2	**1,234.9**	69.9
174.0	225.5	262.0	307.9	330.8	425.6	**502.1**	301.7
1,010.3	1,067.1	1,147.4	1,279.8	1,390.8	1,574.8	**1,737.0**	103.9
796.4	849.3	927.2	1,057.6	1,170.9	1,348.2	**1,505.5**	136.1
213.9	217.8	220.2	222.2	219.9	226.6	**231.5**	8.1
1,262	1,403	1,556	1,561	1,465	1,512	**1,561**	26.4
632	632	632	632	632	631	**631**	18.2
151	151	151	151	150	150	**150**	(0.7)
311	258	178	175	169	124	**124**	(65.0)
89	188	196	196	196	196	**196**	
–	–	–	–	–	24	**28**	
–	–	–	–	–	19	**30**	
2,445	2,632	2,713	2,715	2,612	2,656	**2,720**	19.6

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Year ending December 31, 1986
Design: Public Good
Photography: Russell Monk

THE TTC SYSTEM