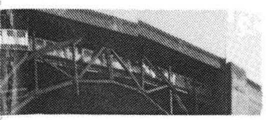
Toronto Transit
Commission



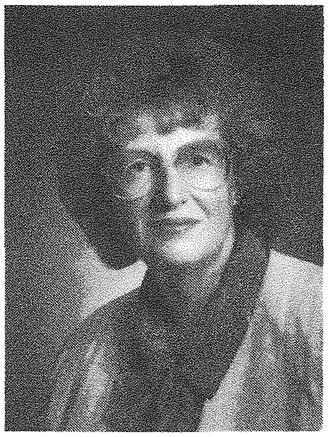
Annual Report

1989

1989 ANNUAL REPORT

Toronto Transit Commission

Letter from the Chairman



To: Mr. Alan Tonks, Chairman, and Councillors of the Municipality of Metropolitan Toronto

It is with pleasure that I present the 1989 Annual Report of the Toronto Transit Commission. This was a most challenging year for the first commission composed of elected councillors. I would like to thank Alan Tonks who, as both TTC Commissioner and Chairman of Metropolitan Toronto, brought the perspective of the Metro Corporation to the Commission's work. The Commission depends on both Metro Toronto Council and the Province of Ontario for their financial support and their commitment to public transit.

In the fall of 1989, the TTC adopted a major policy paper, *Choices for the Future*, containing new initiatives for improving transit for people with disabilities and elderly people. This commitment to improved access to good, reliable public transit for all our citizens will be part of all future decisions on transit line design and vehicle acquisition.

Increasing public concern about the environment has thrust public transit into the forefront as the answer to the urban problems of pollution and congestion. I commend TTC Vice-Chairman Mike Colle for his proactive work in bringing environmental issues and the benefits of transit to the public's attention.

Commissioner Bev Salmon chaired the committee on workplace harassment and has been instrumental in guiding the new Workplace Harassment Policy, which is being implemented in 1990. The TTC places high priority on developing a workplace in which all its employees can feel comfortable and are treated with dignity and understanding.

The "Back To Basics" philosophy, formulated in 1988, formed the background for our decision-making. It meant focusing on our central mandate: moving people in Metropolitan Toronto. To this end, the decision was made in 1989 to sell Gray Coach Lines and all of its subsidiaries. Commissioner Brian Harrison, the Chairman of Gray Coach Lines, deserves many thanks for his work in overseeing this.

As the TTC moves into the 1990s, we will continue to focus on our motto of service, safety and courtesy and to provide a high standard of transit service for the Metropolitan Toronto community.

Lois Griffin

Lois Griffin
Chairman

Letter from the Chief General Manager

TO: MR. ALAN TONKS, CHAIRMAN, AND COUNCILLORS OF THE MUNICIPALITY OF METROPOLITAN TORONTO

Nineteen eighty-nine was a turnaround year for the Toronto Transit Commission. Ridership was down by almost 3 per cent and fare revenue was $5.1 million below budget, partly because of the 41-day union job action this summer. In order to stem this decline a "Back to Basics" philosophy was initiated. The TTC renewed its emphasis on service, safety and courtesy, the cornerstone of its operating strategy. We set out to provide top-quality service, to win back those lost riders and to re-establish our financial strength.

A significant step towards improved service was taken when our operators restored the TTC to its accustomed place as the safest public transit system in the United States and Canada serving a city of one million or more people. For the 19th time in 23 years the TTC earned one of the industry's highest safety honours, the American Public Transit Association Silver Award. We also won an award for safety from the Canadian Urban Transit Association. But we must never be content to stand still. The drive towards an even-safer system continues.

The same energy and commitment were directed at major low-cost service improvements. Standby buses began operating out of five strategically located subway stations during afternoon rush hours. A crowd relief train, introduced as needed on the Yonge-University-Spadina line during rush hours, proved so successful that three more are being added on that line and three more on the Bloor-Danforth line in 1990.

In an atmosphere of concern for the security of our passengers, particularly women and children, a landmark security audit of our rapid transit system had been conducted in 1988 by the TTC, the Metropolitan Toronto Police Force and the Metro Action Committee on Public Violence Against Women and Children. As a result, 1989 saw the introduction of many innovative security measures and the audit was extended to include our surface network.

If public transit is to continue to be a vital component of daily life in Metropolitan Toronto, expansion is necessary. The Province of Ontario has announced a seven-project programme of public transit expansion to be completed in the 1990s. After a tough, tight year, a year of refocusing and renewal, we're ready to grow.

A F Leach

Allan F. Leach
Chief General Manager

Financial Overview (Conventional System)

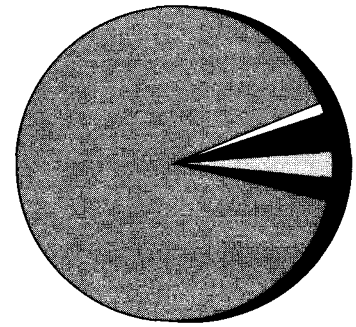
As a result of the six-week union job action, revenue passengers decreased by 2.8 per cent from 1988. The decline was the first since 1978. The operating subsidy requirement, however, was 3.9 per cent less than budget. This Financial Overview briefly analyses the Commission's most significant financial results for the year; more details can be found on the following pages.

TTC Fares at December 31, 1989

	Fares	Revenue Passengers millions	%
TOKENS			
Adult	8 for $7.50	114.9	25.5
TICKETS			
Adult	8 for $7.50	37.4	8.3
	2 for $2.00	27.0	6.0
Scholar	8 for $3.75	37.5	8.3
Senior Citizen	8 for $3.75	24.3	5.4
	2 for $1.00	0.1	—
Child	4 for $1.10	12.3	2.7
CASH			
Adult	$1.10	65.7	14.6
Scholar	$0.70	6.2	1.4
Child	$0.50	2.9	0.7
PASSES			
Metropass	$49.00	113.5	25.2
Seniors' Pass	$32.00	4.6	1.0
Family/Visitor	$4.00	1.3	0.3
OTHER			
Postal Contract		1.9	0.4
Blind and War Amputees		1.1	0.2
		450.7	100.0

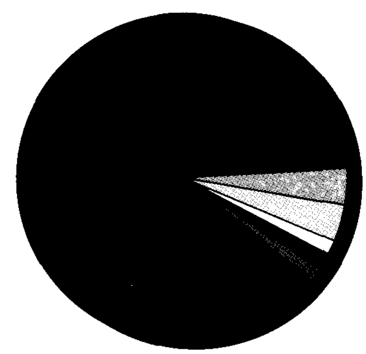
Note:
The split of passengers and revenue by category is estimated on the basis of collection of tickets and tokens and a sample analysis of cash fares.

1989 REVENUE
Total Revenue:
$399,811,000



- Regular Service, Including Fare Grants
  $375,447,000 (93.9%)
- Charters and Special Services
  $2,253,000 (0.6%)
- Rental Income
  $10,421,000 (2.6%)
- Advertising Space Rental
  $7,808,000 (1.9%)
- Other Income
  $3,882,000 (1.0%)

1989 EXPENSES
Total Expenses:
$559,598,000

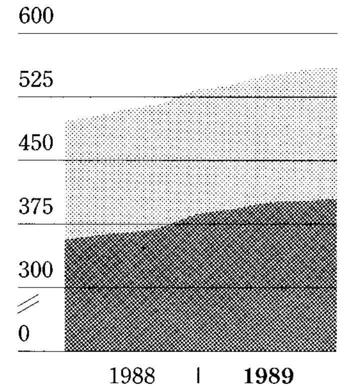


- Wages, Salaries and Other Employee Costs
  $426,628,000 (76.2%)
- Materials, Services and Supplies
  $67,921,000 (12.2%)
- Automotive Fuel
  $20,417,000 (3.7%)
- Electric Traction Power
  $20,273,000 (3.6%)
- Accident Claims Costs
  $8,524,000 (1.5%)
- Depreciation
  $9,580,000 (1.7%)
- Municipal Taxes
  $6,255,000 (1.1%)

Operating results

	1989	1988	Increase	%
▩ Revenue ($ millions)	**399.8**	381.5	18.3	4.8
▨ Operating subsidy ($ millions)	**159.8**	150.4	9.4	6.3
Expenses ($ millions)	**559.6**	531.9	27.7	5.2

Revenue increased to $399.8 million, primarily as a result of the 5.0% fare increase on January 3 partially offset by a 2.8% decrease in ridership. Expenses rose to $559.6 million because of wage increases aggregating 5.7% and general inflation. The increase in expenses was partially offset by a 2.2% decrease in the service operated. Operating subsidy increased by 6.3%.

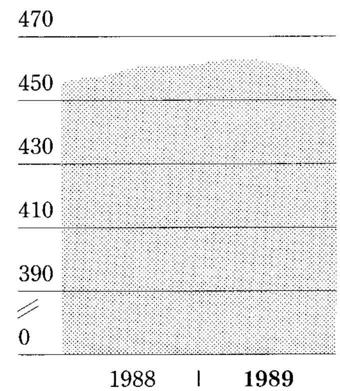


Moving average

Passengers

	1989	1988	Increase (Decrease)	%
Passengers (millions)	**450.7**	463.5	(12.8)	(2.8)
Revenue per passenger	**88.7¢**	82.3¢	6.4¢	7.8
Operating subsidy per passenger	**35.5¢**	32.5¢	3.0¢	9.2
Expenses per passenger	**124.2¢**	114.8¢	9.4¢	8.2

Ridership decreased by 2.8% as a result of the union job action and its aftermath combined with a decrease in the use of Metropass.

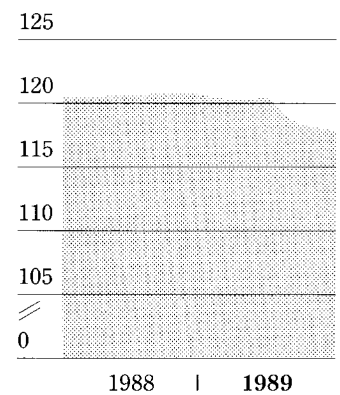


Moving average

Miles

	1989	1988	Increase (Decrease)	%
Miles (millions)	**118.3**	120.9	(2.6)	(2.2)
Revenue per mile	**337.9¢**	315.6¢	22.3¢	7.1
Operating subsidy per mile	**135.1¢**	124.4¢	10.7¢	8.6
Expenses per mile	**473.0¢**	440.0¢	33.0¢	7.5

Vehicle mileage decreased in 1989 due to the union job action and its aftermath. Surface mileage (buses, streetcars and trolley coaches) decreased by 2.1 million miles, while rapid transit miles decreased by 0.5 million.

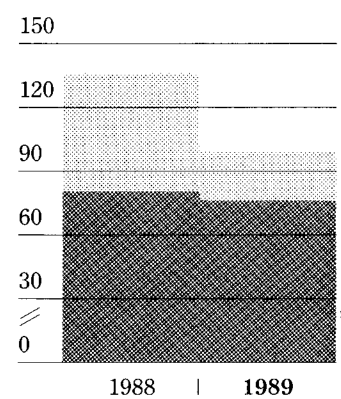


Moving average

Capital expenditures

	1989	1988	Increase (Decrease)	%
▨ Revenue vehicle acquisition ($ millions)	**32.0**	53.7	(21.7)	(40.4)
▩ Other capital projects ($ millions)	**76.1**	82.0	(5.9)	(7.2)
Total ($ millions)	**108.1**	135.7	(27.6)	(20.3)

Among the major expenditures in 1989 were the purchase of diesel buses ($17.8 million), construction of the Harbourfront Light Rail Transit line ($12.9 million), implementation of the Communications and Information System ($12.6 million) and progress payments on the subway car and articulated light rail vehicle contracts ($12.4 million).



Revenue

(thousands of dollars)	1989	1988	Increase (Decrease)	%
Regular service	**360,716**	344,158	16,558	4.8
Fare grants	**14,731**	13,721	1,010	7.4
Regular service, including fare grants	**375,447**	357,879	17,568	4.9
Charters and special services	**2,253**	2,689	(436)	(16.2)
	377,700	360,568	17,132	4.8
Rental income	**10,421**	9,389	1,032	11.0
Advertising space rental	**7,808**	7,544	264	3.5
Other income	**3,882**	4,003	(121)	(3.0)
Total revenue	**399,811**	381,504	18,307	4.8

Regular Service, Including Fare Grants

Regular service, or "passenger" revenue, including fare grants from Metro Toronto, amounted to $375,447,000 in 1989. Fare increases implemented on January 3, 1989, resulted in an increase in the average fare of 5.0%, which was less than the 6.3% increase in the Toronto Consumer Price Index. The adult ticket and token fare was increased to 8 for $7.50 (93.8¢) from 8 for $7.00 (87.5¢). Similar proportionate increases were made to all other fares, except for the children's tickets and the adult cash fare. The children's cash and the adult and seniors two fare tickets were unchanged. The fare increase generated $27.4 million in additional revenue.

Ridership decreased to 450.7 million, which resulted in decreased revenue of $9.8 million. Ridership decreased as a result of the union job action and its aftermath.

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 eligible war veterans to use seniors' fares. The amounts of Metro grants in 1989 were: senior citizens – $13,950,000; blind and war amputees – $699,000; eligible war veterans – $82,000.

Charters and Special Services

Charter revenue totalled $1,394,000, as compared with $1,885,000 in 1988. This decrease is the result of the union job action and of reduced charters resulting from fewer conventions held in Metro Toronto. Special service revenue increased by $55,000 to $859,000 primarily because of the full year's revenue from Premium Express services compared to four month's revenue for 1988.

Rental Income

Rent from station concessions and leases of property totalled $3,744,000, a small increase of $196,000 from 1988. Parking lot net revenue totalled $3,325,000, a 17.2% increase over 1988, primarily as a result of parking rate increases at most lots on January 1, 1989. Other rental income totalled $3,352,000, an increase of $348,000, mainly the result of additional services provided beyond the Metro Toronto boundary.

Advertising Space Rental

Advertising revenue is obtained from advertisements on TTC vehicles and property. Advertising revenue increased by 3.5% as a result of additional sales volume achieved by the TTC's advertising contractor.

Other Income

Other income includes the recovery of administrative and other costs for construction projects and for work done for others – $1,169,000, an 11.2% decrease from 1988 and the dividend from Gray Coach Lines, Limited – $1,200,000, an increase of $300,000 over 1988.

Expenses

(thousands of dollars)	**1989**	1988	Increase (Decrease)	%
Wages, salaries and other employee costs	**426,628**	401,454	25,174	6.3
Materials, services and supplies	**67,921**	64,128*	3,793	5.9
Automotive fuel	**20,417**	21,877*	(1,460)	(6.7)
Electric traction power	**20,273**	19,569	704	3.6
Accident claims costs	**8,524**	10,540	(2,016)	(19.1)
Depreciation	**9,580**	9,107*	473	5.2
Municipal taxes	**6,255**	5,203	1,052	20.2
Total expenses	**559,598**	531,878	27,720	5.2

*Restated to conform to the 1989 presentation.

Wages, Salaries and Other Employee Costs

Wage and salary costs increased to $356,958,000, while the Commission's share of pension contributions and other employee benefit costs totalled a further $69,670,000. General wage increases granted in 1988 and 1989 resulted in a composite year-over-year increase of 5.7%. Specifically, a 4.3% wage increase became effective July 1, 1988, and a further 7.0% became effective July 1, 1989. In addition, the TTC average work-force increased by 3.2%, and employee benefit costs increased by 7.9%.

An analysis of wage and salary costs by function is shown on page 8.

Materials, Services and Supplies

This represents the cost of materials, services and supplies of items not shown separately in the table above. These costs are also analysed on page 8.

Automotive Fuel

The decrease in this cost is due to a 6.7% decrease in the average price of diesel fuel (34.6¢ per litre in 1989) and a 2.0% decrease in bus miles operated (62.5 million miles in 1989).

Electric Traction Power

The increase in the electric traction power cost is primarily due to an average rate increase of 7.1% on January 1, 1989. In 1989, 57.0 million miles were operated.

Accident Claims Costs

Accident claims costs consist of premiums for catastrophe insurance, payments for self-insured claims and an increase in the provision for unsettled accident claims. Fewer claims were paid in 1989 than in 1988; however, the average value of claims paid increased. In addition, the provision for unsettled accident claims at December 31, 1989, was increased by $1.4 million ($3.0 million increase in 1988) to allow for the greater number and value of claims outstanding at the year-end.

Depreciation

This expense relates to the annual amortization of the Commission's investment (net of municipal and provincial subsidies) in its capital assets.

Municipal Taxes

Realty and business taxes are payable on all Commission properties, except those used for rapid transit purposes. The increase in taxes is attributable to an average mill rate increase of 12.0% and to a full year's property taxes on the Arrow Road Garage which opened in late 1988.

Expenses by Function

(thousands of dollars)	**1989**	1988	Increase	%
WAGES, SALARIES AND OTHER EMPLOYEE COSTS				
Vehicle operation	**238,891**	224,998	13,893	6.2
Vehicle maintenance	**93,900**	87,015	6,885	7.9
Non-vehicle maintenance	**50,600**	47,375	3,225	6.8
General and administration	**43,237**	42,066	1,171	2.8
	426,628	401,454	25,174	6.3
MATERIALS, SERVICES AND SUPPLIES				
Vehicle operation	**2,380**	2,031	349	17.2
Vehicle maintenance	**28,409**	26,141	2,268	8.7
Non-vehicle maintenance	**21,197**	20,305	892	4.4
General and administration	**15,935**	15,651*	284	1.8
	67,921	64,128	3,793	5.9

*Restated to conform to 1989 presentation.

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 1989, mainly because of the general wage adjustment, increased employee benefits costs, the full year's impact of the opening of the Arrow Road Garage and increased staff and divisional inspectors. These increases were partially offset by the union job action and its aftermath. The increase in non-labour costs is the result of higher uniform costs due to inflation and more employees and higher stationery costs as a result of increased office automation.

VEHICLE MAINTENANCE

Servicing, maintaining and repairing the revenue fleet employs approximately 25% of the Commission's work-force. Costs increased mainly as a result of the general wage adjustment and inflation in the cost of maintenance material, along with the full year's effect of the opening of the Arrow Road Garage, additional costs associated with the bus and trolley coach body corrosion repairs programme, and the increased maintenance of subway cars.

NON-VEHICLE MAINTENANCE

Approximately 15% of the work-force is engaged in maintaining the Commission's garages, carhouses, repair shops and administration facilities, as well as the track and wiring along the subway and surface routes. The increase in costs in this area is the result of the general wage increase adjustment and inflation in the cost of maintenance material, along with additional maintenance of the subway system and the Arrow Road Garage offset by reductions due to the completion in 1988 of certain maintenance projects.

GENERAL AND ADMINISTRATION

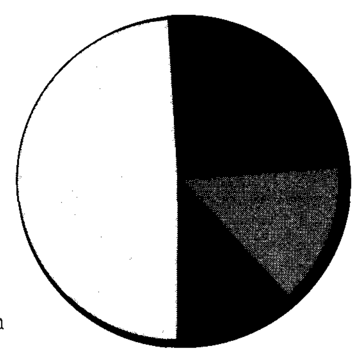
The general and administration functions include the executive, finance, marketing and customer services, public affairs, human resources, materials and procurement, planning, safety, security, legal, and management services operations. These activities account for approximately 10% of the work-force.

The increase in labour costs was again mainly due to the general salary adjustment offset by an accounting change whereby most of the Communications and Information System labour costs in 1989 were charged to capital. The increase in non-labour costs was due to general inflation in the cost of supplies and services offset by less software purchases in 1989 compared to 1988.

EXPENSES BY FUNCTION

Total Expenses
$494,549

- Vehicle Operation $241,271 (48.8%)
- Vehicle Maintenance $122,309 (24.7%)
- Non-vehicle Maintenance $71,797 (14.5%)
- General and Administration $59,172 (12.0%)



Revenue and Expenses
For the Wheel-Trans System

(thousands of dollars)	1989	1988	Increase (Decrease)
Revenue			
Passenger services	**807**	620	187
Expenses			
Wages, salaries and other employee costs	**15,388**	3,061	12,327
Materials, services and supplies	**6,008**	1,341	4,667
Contract services	**2,611**	14,537	(11,926)
Automotive fuel	**791**	—	791
Accident claims costs	**123**	—	123
	24,921	18,939	5,982

Wheel-Trans is a specialized transit service, operating seven days a week, for physically disabled people who are unable to board regular transit vehicles.

Since May 1, 1983, TTC staff have handled all administrative duties, and reservations, scheduling and dispatching functions. On January 1, 1989, the TTC also became directly responsible for the operation and maintenance of the Orion II specialized buses. Outside contractors continued to supply the station wagon and sedan portions of the Wheel-Trans service.

Since the nature of the operations changed significantly in 1989 compared to 1988, financial results are not directly comparable. Operating statistics for the two years are as follows:

(thousands)	1989	1988	Increase	%
Passengers carried	**792.9**	658.3	134.6	20.4
Miles operated	**5,389.5**	4,382.4	1,007.1	23.0
Number of registrants	**14.6**	11.9	2.7	22.7

Capital Expenditures

(thousands of dollars)	1989	1988	(Decrease)
Revenue vehicle acquisition	**31,990**	53,709	(21,719)
Other capital projects	**76,140**	82,000	(5,860)
	108,130	135,709	(27,579)

REVENUE VEHICLE ACQUISITION	
104 diesel buses	**17,796**
126 subway cars (progress payments)	**8,471**
52 Articulated Light Rail Vehicles (progress payments)	**3,909**
22 Rebuilt PCC streetcars (current year's expenditures)	**1,621**
125 Compressed Natural Gas buses	**193**
	31,990

OTHER CAPITAL PROJECTS	
Harbourfront Light Rail Transit line	**12,881**
Communications and Information System	**12,578**
Lakeshore Garage modifications	**7,367**
Surface and subway track	**7,036**
Maintenance facilities	**5,252**
Harbourfront Light Rail Transit connection to King Street	**5,150**
Other capital projects	**25,876**
	76,140

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

REVENUE VEHICLE ACQUISITION

104 diesel buses:
Payments were made for 104 buses in 1989, including 22 new articulated buses, which are being introduced on the most heavily travelled bus routes.

126 subway cars:
Further progress payments were made towards the purchase of 126 new H6 subway cars. By the end of 1989, 120 of these cars were in operation.

52 ALRVs:
Further progress payments were made towards the purchase of 52 ALRVs. By the end of 1989, all of these new vehicles had been accepted for service, replacing the old PCC streetcars.

22 Rebuilt PCC streetcars:
Twenty-two PCC streetcars are to be rebuilt from 1986 to 1992. These additional streetcars will be used to increase service as required.

125 CNG buses:
During 1989 the first of twenty-five natural gas buses was received. After evaluation, an additional 100 buses may be purchased for delivery in 1992.

OTHER CAPITAL PROJECTS

Harbourfront LRT line:
Construction of the 1.4-mile LRT line continued in 1989. It is expected to be completed in 1990 at a cost of approximately $58.3 million.

CIS:
The CIS system enables the operators of surface vehicles to be in contact with the divisional personnel. Its use is also to monitor and control the vehicles and to collect statistics on the performance of the fleet. In 1989, work continued to equip all surface vehicles with this system. The project is expected to be completed in 1991.

Lakeshore Garage modifications:
In 1989, expenditures were incurred for the renovation of the Gray Coach Lines Lakeshore Garage to include housing of the Wheel-Trans fleet.

Surface and subway track:
Surface track projects are undertaken in conjunction with Metro Toronto and the City's programme for repairing streets. Subway track projects in 1989 consisted of the replacement of cross-overs and curves at various locations and the reinsulation of negative rail on the Bloor-Danforth line.

Maintenance facilities:
Work done in 1989 included the completion of the improvements to the heating, ventilating and air-conditioning systems in existing structures, and progress on an addition to the Plant Operations building.

Harbourfront LRT – connection to King Street:
In 1989, construction of a run-in track system along Spadina Avenue which connects the Harbourfront LRT with the King Street streetcar line was undertaken. Completion will be in 1990.

Other capital projects:
These include the magnetic encoded tickets fare collection system (MET); subway ventilation and asbestos removal projects; acquisition of computer hardware; garage improvements; purchase of shop and garage equipment; purchases of service vehicles; studies related to proposed new transit lines, and other capital acquisitions.

Financing

(thousands of dollars)	1989	1988	Increase (Decrease)
CONVENTIONAL SYSTEM OPERATING EXPENSES			
By the Commission	**559,598**	531,878	27,720
By Metro and Metro municipalities	**38,343**	34,482	3,861
	597,941	566,360	31,581
Financed from: Commission revenue	**399,811**	381,504	18,307
Metro and Metro municipalities	**107,030**	100,456	6,574
Provincial subsidy	**91,100***	84,400*	6,700
	597,941	566,360	31,581
WHEEL-TRANS OPERATING EXPENSES			
By the Commission	**24,921**	18,939	5,982
By Metro	**122**	53	69
	25,043	18,992	6,051
Financed from: Provincial subsidy	**12,118***	9,186*	2,932
Metro	**12,118**	9,186	2,932
Commission revenue	**807**	620	187
	25,043	18,992	6,051
CAPITAL EXPENDITURES			
By the Commission	**108,130**	135,709	(27,579)
By Metro and Metro municipalities	**12,070**	2,389	9,681
	120,200	138,098	(17,898)
Financed from: Provincial subsidy	**86,800***	101,500*	(14,700)
Metro and Metro municipalities	**22,422**	27,281	(4,859)
Commission	**10,978**	9,317	1,661
	120,200	138,098	(17,898)

*Subject to provincial audit and approval.

CONVENTIONAL OPERATING EXPENSES

Financing is based on a users' 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 or below the targets from year to year.

The provincial subsidy formula was changed effective for 1989. The subsidy is now 16% of eligible expenses plus the continuation of the special subsidy for the extra operating costs of the Scarborough RT line that result from the use of the ICTS system instead of the originally planned streetcar (LRT) system.

The previous formula was based on a sliding scale, which provided 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 previously provided for TTC special operating subsidies for new major transit facilities.

In 1989, the operating subsidy requirement assumed by Metro Toronto amounted to $159,787,000. Metro and Metro municipalities incurred further costs totalling $38,343,000. These were primarily for debenture debt payments, senior citizens' fare subsidy and maintenance of transit shelters. The provincial contribution amounted to $91,100,000 (subject to provincial audit), and Metro's residual cost was $107,030,000.

Adjustments of the figures in the table in accordance with provincial subsidy regulations result in a 1989 cost-sharing as follows:

TTC revenues — 69.2%; Provincial subsidy — 16.2%; Metro and Metro municipalities — 14.6%.

Wheel-Trans Operating Expenses

The Wheel-Trans operating subsidy requirement is funded on an equal basis between the Municipality of Metropolitan Toronto and the Province of Ontario.

In 1989, the operating subsidy requirement assumed by Metro Toronto amounted to $24,114,000. Metro incurred further costs of $122,000 for senior citizens' fare subsidy. The provincial contribution was $12,118,000 (subject to audit).

Capital Expenditures

Capital expenditures totalled $108,130,000, consisting of $76,527,000 for rapid transit extensions, major vehicle purchases and other projects included in the Metro Capital Works Programme and $31,603,000 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 ($11,598,000 in 1989). Metro receives provincial subsidy for all of these costs, the majority at a rate of 75%.

Capital budget expenditures are assumed by the Commission, with the exception of costs for transit shelters and loops 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 minor items.

Provincial subsidies on capital expenditures in 1989 amounted to $86,800,000 (subject to provincial audit). The Commission's contribution was $10,978,000, and the remaining $22,422,000 was financed by Metro and the Metro municipalities.

Toronto Transit Commission

FINANCIAL STATEMENTS

December 31, 1989

Auditors' Report

MARCH 27, 1990

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, 1989, and the combined statement of revenue and expenses, the statement of revenue and expenses for the Conventional Transit system, the statement of revenue and expenses for the Wheel-Trans system, and the statement of 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, 1989, 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.

THE MUNICIPALITY OF METROPOLITAN TORONTO · 1953 ·

Allan G. Andrews, C.A.,
Metropolitan Auditor

KPMG Peat Marwick Thorne
Chartered Accountants

Peat Marwick Thorne

Chartered Accountants
Toronto, Ontario

Metropolitan Auditor
Toronto, Ontario

Combined Statement of Revenue and Expenses

(in thousands)	Year ended December 31, 1989	Year ended December 31, 1988
REVENUE		
Conventional Transit System	**$399,811**	$381,504
Wheel-Trans System	**807**	620
	$400,618	$382,124
EXPENSES		
Conventional Transit System	**$559,598**	$531,878
Wheel-Trans System	**24,921**	18,939
	$584,519	$550,817
Operating subsidy (Note 2)		
Conventional Transit System	**$159,787**	$150,374
Wheel-Trans System	**24,114**	18,319
	$183,901	$168,693

Statement of Revenue and Expenses
For the Conventional Transit System

(in thousands)	Year ended December 31, 1989	Year ended December 31, 1988
Revenue		
Passenger services	**$377,700**	$360,568
Rental of land, air rights, buildings, subway concessions and equipment	**10,421**	9,389
Rental of advertising space	**7,808**	7,544
Dividend from Gray Coach Lines, Limited	**1,200**	900
Miscellaneous	**2,682**	3,103
Total revenue	**$399,811**	$381,504
Expenses		
Wages, salaries and other employee costs	**$426,628**	$401,454
Materials, services, and supplies other than the items shown below	**67,921**	64,128
Automotive fuel, including federal and provincial taxes	**20,417**	21,877
Electric traction power	**20,273**	19,569
Accident claims costs	**8,524**	10,540
Depreciation	**9,580**	9,107
Municipal taxes	**6,255**	5,203
Total expenses	**$559,598**	$531,878
Operating subsidy (Note 2)	**$159,787**	$150,374

Statement of Revenue and Expenses
For the Wheel-Trans System

(in thousands)	Year ended December 31, 1989	Year ended December 31, 1988
Revenue		
Passenger services	**$ 807**	$ 620
Expenses		
Wages, salaries and other employee costs	**$ 15,388**	$ 3,061
Materials, services, and supplies other than the items shown below	**6,008**	1,341
Contract services	**2,611**	14,537
Automotive fuel, including federal and provincial taxes	**791**	—
Accident claims costs	**123**	—
Total expenses	**$ 24,921**	$ 18,939
Operating subsidy (Note 2)	**$ 24,114**	$ 18,319

Balance Sheet

(in thousands)	December 31, 1989	December 31, 1988
ASSETS		
Current assets		
Cash	$ 4,554	$ 1,573
Accounts receivable		
The Municipality of Metropolitan Toronto	70,008	65,828
Gray Coach Lines, Limited — current account	3,143	3,879
Other	7,030	7,499
Inventories	24,446	19,588
Working funds and prepaid expenses	3,936	3,325
	113,117	101,692
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	1,988,001	1,826,631
Less capital contributions	(1,739,956)	(1,585,474)
	248,045	241,157
Less accumulated depreciation	(167,300)	(161,810)
	80,745	79,347
Under construction and not yet in service	101,228	159,692
Less capital contributions	(101,228)	(159,692)
	—	—
Net capital assets	80,745	79,347
	$ 194,862	$ 182,039
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 91,860	$ 87,747
Current portion of debenture debt (Note 4)	1,782	1,690
	93,642	89,437
Provision for		
Fare media held by the public	18,400	15,800
Unsettled accident claims	16,500	15,000
Long-term employee benefits	13,000	6,700
	47,900	37,500
Long-term portion of debenture debt due to the Municipality of Metropolitan Toronto (Note 4)	8,135	9,917
EQUITY		
Equity acquired from Toronto Transportation Commission on January 1, 1954	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
	$ 194,862	$ 182,039

Statement of Changes in Financial Position

(in thousands)	Year ended December 31, 1989	Year ended December 31, 1988
CASH USED IN OPERATIONS		
Net operating costs	**$183,901**	$168,693
Items not affecting cash:		
Depreciation	**(9,580)**	(9,107)
Provision for fare media held by public	**(2,600)**	(2,375)
Provision for unsettled accident claims	**(1,500)**	(3,000)
Provision for long-term employee benefits	**(6,300)**	(3,550)
	163,921	150,661
Changes in non-cash operating working capital	**4,331**	11,562
	168,252	162,223
NET CASH USED IN THE ACQUISITION OF CAPITAL ASSETS	**108,130**	135,709
CASH RECEIVED FROM (USED IN) FINANCING ACTIVITIES		
Operating subsidies	**183,901**	168,693
Capital contributions	**97,152**	126,392
Debenture debt repayment	**(1,690)**	(1,606)
	279,363	293,479
Increase (Decrease) in cash	**2,981**	(4,453)
Cash, beginning of year	**1,573**	6,026
Cash, end of year	**$ 4,554**	$ 1,573

Notes to Financial Statements December 31, 1989

The Toronto Transit Commission (the Commission) was established on January 1, 1954 to provide the conventional transit service for the municipalities comprising the Municipality of Metropolitan Toronto (the Municipality). The new entity assumed all the assets and liabilities of the former Toronto Transportation Commission.

The Commission also operates Wheel-Trans, a transit service for the physically disabled, which is subsidized by the Municipality and by the Province of Ontario (the Province). Since its introduction in 1975, the service had been operated solely under contract. On January 1, 1989 the Commission assumed responsibility for delivery of the majority of service by Commission employees.

1. Significant Accounting Policies

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

a. Revenue Recognition

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.

b. Inventories

Inventories are valued at average cost and are expensed or capitalized when issued.

c. Investment in Wholly-owned Subsidiary – Gray Coach Lines, Limited

The investment in Gray Coach Lines, Limited (Gray Coach) is carried at cost. Dividends from Gray Coach are recorded as revenue when received and effectively decrease the operating subsidy provided from the Municipality. As increases in the equity of Gray Coach are not likely to accrue to the Commission the financial statements of Gray Coach are not consolidated.

d. Capital Assets and Capital Contributions

Capital assets are recorded at cost less capital contributions. 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 Wheel-Trans, the Municipality fully funds all capital expenditures and recovers 50% from the Province.

Holdbacks on construction contracts are not recorded until paid since the Municipality has complete financial responsibility.

Land purchased directly by the Municipality for the Commission's use is recorded in the Municipality's records.

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.

2. Operating Subsidy

a. Conventional Transit

By agreement with the Municipality, 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 a subsidy from the Province equal to 16% of eligible expenses, and additional special operating subsidies for the Scarborough RT line.

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 funding of conventional transit operating expenses (as defined for provincial subsidy purposes) for 1988 and 1989 is estimated to be as follows:

	1989	1988
By the Commission	**69.2%**	69.5%
By the Municipality	**14.6%**	14.7%
By the Province of Ontario	**16.2%**	15.8%

b. Wheel-Trans

For Wheel-Trans, there is no defined revenue contribution. The Municipality undertakes in its budget to provide an operating subsidy equal to the deficit on operations, and in turn receives a 50% contribution from the Province.

3. Gray Coach

Gray Coach, directly and through its subsidiaries, including Trentway-Wagar (Properties) Inc., operates interurban coach services, charters, tours and school buses.

Gray Coach fares and routes are regulated by the Province and a significant part of Gray Coach 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 Gray Coach operation of "GO Transit" routes would occur. The phase out period ended in 1989.

Gray Coach consolidated financial statements, which are published separately, are summarized as follows:

Consolidated Statement of Earnings

	Year ended December 31	
(in thousands)	**1989**	1988
Revenue	**$67,017**	$66,186
Expenses, including Ontario income taxes	**62,289**	63,526
Earnings before extraordinary items	**4,728**	2,660
Extraordinary items	**(1,483)**	14,833
Net earnings for the year	**$ 3,245**	$17,493

Consolidated Balance Sheet

	December 31	
(in thousands)	**1989**	1988
ASSETS		
Current assets	**$16,485**	$17,179
Investments	**—**	3,950
Capital assets, at cost less accumulated depreciation	**37,441**	32,673
Goodwill	**1,698**	1,591
	$55,624	$55,393
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities	**$10,506**	$11,510
Long-term liabilities and provisions	**3,263**	3,273
Capital stock, reserve and retained earnings	**41,855**	40,610
	$55,624	$55,393

The Statement of Earnings reflects charges of $5,976,000 (1988 – $6,367,000) made to Gray Coach by the Commission for rental of property and equipment, use of joint facilities and administrative services.

4. Debenture Debt

Capital borrowings by the Commission are financed 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, 1989, the net debenture debt was as follows:

(in thousands)	**1989**	1988
Serial debentures –		
5⅜% final instalment due 1992	**$ 766**	$ 995
5½% final instalment due 1993	**2,411**	2,937
5¼% final instalment due 1995	**6,740**	7,675
	9,917	11,607
Less: Current portion	**1,782**	1,690
	$ 8,135	$ 9,917

Serial debenture payments required in each of the next five years are approximately $1,729,000.

Sinking fund debentures due in 1993 to 1997 amounting to $17,533,000 have been fully funded by sinking fund investments.

5. Pensions

Substantially all employees, including those assigned to Gray Coach, are members of the Toronto Transit Commission Pension Fund Society (the Society).

Pensions provided by the Society are based on length of service and average base year earnings. The average base years, which are currently 1985 to 1988, are updated from time to time, provided that the financial position of the Society so permits.

By agreement the Commission is obligated to contribute to the Society 6.25% of wages and salaries up to the year's maximum pensionable earnings as defined by the Canada Pension Plan, and 7.85% of wages and salaries in excess of this amount. Members contribute equally to the Society.

The contributions by the Commission amounted to $25,499,000 in 1989 (1988 – $24,495,000).

Based on Commission estimates, actuarial projections prepared during the year indicate that the December 31 present value of accrued pension benefits and the net Society assets available to provide for these benefits, at market values, are as follows:

(in thousands)	**1989**	1988
Accrued pension benefits	**$955,501**	$840,757
Pension fund assets	**$864,924**	$776,280

6. Taxes

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

7. Comparative Balances

Certain 1988 figures have been reclassified to conform to the presentation adopted in 1989.

10-Year Financial and Operating Statistics

	1980	1981	1982	1983
PASSENGERS/OPERATING REVENUE				
Passengers (Millions)	366.4	392.0	401.2	405.7
Basic Adult Ticket Fare (at December 31)	50.0¢	57.1¢	62.5¢	66.7¢
Total Operating Revenue ($ Millions)	183.6	215.0	240.9	259.4
Operating Revenue per Mile	181.1¢	199.3¢	212.4¢	228.5¢
Operating Revenue per Passenger	50.1¢	54.9¢	60.0¢	63.9¢
OPERATIONS/EXPENSES				
Miles Operated, Including Charters and Special Services (Millions)				
Bus	49.3	52.1	56.8	57.2
Subway Car	38.6	42.6	43.2	43.1
Streetcar	9.4	9.3	9.4	9.3
Trolley Coach	4.1	3.9	4.0	3.9
Scarborough RT	—	—	—	—
	101.4	107.9	113.4	113.5
Average Number of Employees (Including Gray Coach Lines, Ltd.)	8,689	8,906	9,200	9,414
Average Hourly Wages and Benefits per Driver	$11.67	$14.13	$15.49	$16.50
Total Expenses ($ Millions)	236.8	284.4	333.8	362.8
Expense per Mile	233.5¢	263.6¢	294.3¢	319.6¢
Expense per Passenger	64.6¢	72.6¢	83.2¢	89.4¢
OPERATING SUBSIDY				
Operating Subsidy ($ Millions)	53.2	69.4	92.9	103.4
Operating Subsidy per Mile	52.4¢	64.3¢	81.9¢	91.1¢
Operating Subsidy per Passenger	14.5¢	17.7¢	23.2¢	25.5¢
REVENUE/COST RATIO	71.3%	71.1%	68.6%	68.5%
CAPITAL ASSETS				
Investment in Capital Assets (Before Depreciation and Contributions) at December 31 ($ Millions)				
Rapid Transit	836.3	841.6	885.4	971.9
Surface	174.0	225.5	262.0	307.9
	1,010.3	1,067.1	1,147.4	1,279.8
Metro and Provincial Contributions	796.4	849.3	927.2	1,057.6
TTC Investment (Before Depreciation)	213.9	217.8	220.2	222.2
Vehicle Fleet (Owned and Leased)				
Articulated Buses	—	—	—	—
Buses	1,262	1,403	1,556	1,561
Subway Cars	632	632	632	632
Trolley Coaches	151	151	151	151
Streetcars				
PCCs	311	258	178	175
CLRVs	89	188	196	196
ALRVs	—	—	—	—
ICTS Vehicles	—	—	—	—
Wheel-Trans Buses	—	—	—	—
	2,445	2,632	2,713	2,715

1984	1985	1986	1987	1988	1989	% Increase (Decrease) 1980 – 1989
427.7	432.2	441.0	456.9	463.5	**450.7**	23.0
70.0¢	73.8¢	80.0¢	83.3¢	87.5¢	**93.8¢**	87.6
283.2	301.6	334.8	357.7	381.5	**399.8**	117.8
247.3¢	260.2¢	283.2¢	297.3¢	315.6¢	**337.9¢**	86.6
66.2¢	69.8¢	75.9¢	78.3¢	82.3¢	**88.7¢**	77.0
58.2	59.0	60.0	61.0	62.7	**61.4**	24.5
43.3	43.3	44.1	45.3	44.8	**43.7**	13.2
9.2	9.1	9.0	8.8	8.6	**8.1**	(13.8)
3.8	3.6	3.5	3.6	3.3	**3.1**	(24.4)
–	0.9	1.6	1.6	1.5	**2.0**	n/a
114.5	115.9	118.2	120.3	120.9	**118.3**	16.7
9,614	9,628	9,636	9,734	9,963	**10,176**	17.1
$17.43	$18.40	$19.49	$20.58	$21.63	**$23.24**	99.1
393.0	427.0	461.0	494.5	531.9	**559.6**	136.3
343.2¢	368.4¢	390.0¢	411.0¢	440.0¢	**473.0¢**	102.6
91.9¢	98.8¢	104.5¢	108.1¢	114.8¢	**124.2¢**	92.3
109.8	125.4	126.2	136.8	150.4	**159.8**	200.4
95.9¢	108.2¢	106.8¢	113.7¢	124.4¢	**135.1¢**	157.8
25.7¢	29.0¢	28.6¢	29.9¢	32.5¢	**35.5¢**	144.8
69.3%	68.1%	69.5%	70.0%	69.5%	**69.2%**	n/a
1,060.0	1,149.2	1,234.9	1,283.0	1,350.1	**1,384.4**	65.5
330.8	425.6	502.1	573.4	636.2	**704.8**	305.1
1,390.8	1,574.8	1,737.0	1,856.4	1,986.3	**2,089.2**	106.8
1,170.9	1,348.2	1,505.5	1,619.5	1,745.2	**1,841.2**	131.2
219.9	226.6	231.5	236.9	241.1	**248.0**	15.9
–	–	–	9	68	**90**	n/a
1,465	1,512	1,561	1,641	1,621	**1,663**	31.8
632	631	631	662	721	**746**	18.0
150	150	150	150	150	**150**	(0.7)
169	124	124	123	116	**99**	(68.2)
196	196	196	196	196	**196**	120.2
–	–	–	–	32	**52**	n/a
–	24	28	28	28	**28**	n/a
–	19	30	69	123	**123**	n/a
2,612	2,656	2,720	2,878	3,055	**3,147**	28.7

Management Directory

Officers and Senior Officials

Allan F. Leach
Chief General Manager

Norman E. Balfour, QC
General Counsel and Solicitor

Gordon M. Break
General Manager
Operations

Arnold S. Dubé
General Secretary

J. Herb Jobb
General Manager
Finance

Donald J. Morton
General Manager
Engineering and Maintenance

David C. Phillips
General Manager
Human Resources

Dr. Juri Pill
General Manager
Administration and Planning

Department Managers

Douglas P. Anton
Manager
Property Management

Gerry Brolley
Manager
Service Planning

Dennis R. Callan
Manager
Engineering

John D. Cannell
Manager
Pension Fund Society

George Chien
Manager
Operational Planning

Allen J. Chocorlan
Manager
Management Services

Dave A. Cowan
Manager
Equipment

Kathy Dean
Director
Equal Opportunity

Bob Evans
Manager
Wheel-Trans

William G. Frost
Manager
Communications and Information System (CIS)

Al Gallo
Manager
Marketing and Customer Services

Joe Heaney
Director
Corporate Security

Graham Jones
Manager
Financial Control

R. Ian Kingston
Manager
Transportation

Kenneth G. Knight
Manager
Construction

Nancy J. Littlewood
Manager
Personnel

Douglas W. Mair
Manager
Plant

Nelson R. Melnyck
Manager
Corporate Planning

Dr. Joel Miller
Manager
Project Administration

Bryan Millsip
Assistant General Secretary

Dr. David Stephen
Medical Director

Robert J. Thacker
Manager
Employee Relations

Vacant
Director
Management Consulting and Audit

Marjorie Wallens
Director
Public Affairs

Gary M. Webster
Manager
Materials and Procurement

Paul A. Wenning
Manager
Safety and Fire Prevention

William D. Wood
Manager
Special Projects and Treasury

Subsidiary Companies

Gray Coach Lines, Limited
William L. Verrier
President and Chief Executive Officer

Toronto Transit Consultants Limited
Warren H. Bartram
Acting President

Year ending December 31, 1989

For further information, please contact:

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