Annual Report

2003

TORONTO TRANSIT COMMISSION

2003 ANNUAL REPORT

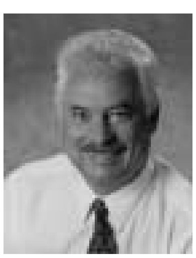
Toronto Transit Commission

As at December 31, 2003

Chair
Howard Moscoe

Vice-Chair
Joe Mihevc

Commissioners

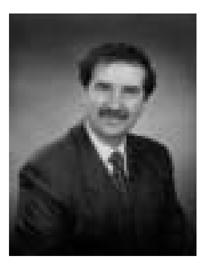


Brian Ashton

Bas Balkissoon

Sandra Bussin

Adam Giambrone



Peter Li Preti

Mayor
David Miller

David Shiner

Letter from the Chair

DATE: June, 2004

TO: MAYOR DAVID MILLER AND COUNCILLORS OF THE CITY OF TORONTO

It is with pride that I submit the 2003 Annual Report for the Toronto Transit Commission (the "TTC").

2003 was yet another year filled with challenges for the City's public transit authority. The year began with a Commission-approved, standard 10-cent fare increase and proportionate increases to all other fare media. The roller coaster ride took off from there.

The City of Toronto faced some difficulties in 2003, and the TTC felt them every step of the way – Severe Acute Respiratory Syndrome (SARS) hurt tourism, West Nile Virus kept people indoors, and the blackout in August stopped everything in sight, including the economy. Throughout it all, the TTC workforce did their best to keep us on the move – proof positive that the Commission's greatest asset is its employees. They stepped up and turned each negative story into a positive one.

In March, the SARS crisis caused a significant dip in ridership. The Commission estimated a loss of about 3.5 million riders as a result of the outbreak, which lasted several months. A further 1 million rides were lost due to the extended economic slowdown. However, the excellent TTC service proved to be a big hit with many of the 400,000 Rolling Stones fans attending a special SARS benefit concert at Downsview Park on July 30. Our service success contributed greatly to the City's image.

Then, in August, the TTC was hit hard yet again by the continent's largest electricity blackout, which affected as many as 50 million people across the North-Eastern Seaboard of North America. Ridership dropped by more than 2.5 million trips, as subway and streetcar service was knocked out for several days. Thankfully, as every effort was being taken to conserve energy during a period of rolling blackouts, the TTC bus fleet kept the City rolling.

By the end of 2003, the system had carried over 405 million riders – seven million less than budgeted. Despite the decline, the TTC continues to carry close to 1.4 million passengers on a typical weekday with a fleet of 684 subway cars, 28 light rapid transit cars, 248 streetcars, and 1,633 conventional and Wheel-Trans buses.

And, despite the fact that today's bus fleet is 22% smaller than a decade ago, we're still the mode of choice for more than 400 million riders every year. No other transit system in the nation carries that many people. To its credit, the TTC has maintained 400-million-plus riders for four consecutive years now. That adds up to one billion riders every 30 months.

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However, the Commission's long-term vision aims much higher than that. We can see ridership reaching 500 million annually. So, how will this be possible?

Survey after survey has shown that people want fast, reliable, comfortable, and convenient transit service. The TTC's drive to meet those demands was laid out in the *Ridership Growth Strategy* introduced in 2003. The *Strategy* is the TTC's blueprint for transit investment for the next decade. It outlines numerous initiatives to meet customer demand, increase ridership, and position the TTC to achieve the objectives of Toronto's new Official Plan.

After years of budget cuts, we need to get back to a more proactive level of service on the street if we're going to accomplish what the Official Plan sets out for transit. Briefly, Toronto envisions an additional half-million people, at the minimum, living within its boundaries over the next 20 years. The Official Plan centres prominently on an expanded transit system as the basis for accommodating this population growth, as well as protecting the environment.

The *Ridership Growth Strategy* outlines a number of initiatives including: expanding the bus fleet, increasing peak-period service, constructing rights-of-way, and implementing new and discounted fares. These initiatives come with a price tag above and beyond current subsidy levels. But, until long-term funding is secured, these investments, although worthy, remain elusive. We need only look back to the 1970s and 1980s, when a senior level of government was substantially investing in public transit infrastructure, to see that TTC ridership increased by nearly 200 million annual trips during that period.

If a proactive ridership strategy is tied in with good land use practices as the Official Plan proposes, the TTC could carry 500 million people annually.

* *

Securing sustainable funding continues to be the Commission's top priority. The push for a new deal for public transit took a new turn with the production of a corporate video at the end of the year. *The End of the Line*, a hard-hitting, 15-minute documentary, vividly depicts the current condition of TTC service and the important role it plays in the local, provincial and national economy.

Combined with the Toronto Board of Trade's *Enough of Not Enough* campaign, which urged people to press for a new funding arrangement through a redistribution of tax revenue, strong pressure was brought to bear on senior levels of government.

I believe we are on the verge of a major change in government attitudes towards public transit in Canada. We have a new Premier, who has committed to investing 2 cents a litre of the gas tax to fund public transit. We have a new Prime Minister, who recognizes that cities need stable, reliable, and predictable funding to deliver services, such as public transit. And we have a new Mayor (and TTC Commissioner), who has immediately begun building productive relationships between all the levels of government.

The TTC is confident about the future. Funding must and will come. It came in the United States, when political leaders saw the centres of their cities deteriorating and introduced the Transportation Equity Act for the 21st Century. TEA –21 represents sustainable transit funding across the U.S. and has spurred major mass transit expansion. If this legislation were Canadian legislation, the Commission would receive over $300 million annually from the Federal Government.

The TTC's 10-Year forecast identifies the need for approximately $4 billion in investment, the vast majority of which is dedicated to state-of-good-repair projects and replacement vehicle purchases. This money does not build one kilometre of new subway line. It simply maintains the condition of the existing system.

A new deal for cities is extremely important for the TTC. The City simply cannot continue to fund the system solely on the property tax base. TTC customers already pay some 80 per cent of the operation through their fares. The TTC is by far the most efficient and least-funded transit system in Canada or the U.S.

According to the Toronto Board of Trade, every year the City pays $9 billion more in taxes than it receives in services. Our roads are packed, our transit system is stalled, and people are choosing to live outside the City. This is the climate in which we operate our system today, and the reason why we must continue to push the importance of the new urban agenda and what it will mean to Toronto.

During the municipal election last November, public transit was on everyone's mind. Voters made it crystal clear to us that they believe vibrant cities are dependent upon strong and healthy transit systems. Without them, cities would be facing serious environmental, economic, and social mobility crises. The people of Toronto want to see public transit enhanced because they know that their city can only reach its full potential through a strong and healthy Toronto Transit Commission.

* *

2004 marks the 50th anniversary of the opening of Canada's First Subway – the original Yonge line, from Eglinton to Union, which opened on March 30, 1954. With this anniversary, the Commission hopes that people will be reminded of the grand dreams that were once realized in the history of this great city. As long as Torontonians keep dreaming, the women and men of the TTC will keep them moving.

I would like to thank all TTC employees for their dedication and professionalism, and for raising a record $984,000 for the United Way in 2003. I would also like to thank my fellow Commissioners currently serving on the board: Joe Mihevc (Vice-Chair), Brian Ashton, Bas Balkissoon, Sandra Bussin, Adam Giambrone, Peter Li Preti, David Shiner, and Mayor David Miller.

Finally, I would also like to extend my gratitude to those members who served prior to the November 2003 municipal election: Councillors Norm Kelly and Denzil Minnan-Wong, former Chair Betty Disero, and former Councillors Joanne Flint and Sherene Shaw.

Howard Moscoe

Howard Moscoe
Chair

Consolidated Financial Statements of

TORONTO TRANSIT COMMISSION

Year ended December 31, 2003

AUDITORS' REPORT

To the Chair and Members of the
Toronto Transit Commission

We have audited the consolidated balance sheet of **Toronto Transit Commission** as at December 31, 2003 and the consolidated statements of operations and accumulated equity and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada,
March 22, 2004.

Chartered Accountants

TORONTO TRANSIT COMMISSION

Consolidated Balance Sheets
As at December 31

	2003 ($000s)	2002 ($000s)
ASSETS		
Current		
Cash and cash equivalents	31,981	27,419
Accounts receivable		
City of Toronto (note 6)	142,198	140,287
Other	16,877	15,976
Spare parts and supplies inventory	66,854	64,767
Prepaid expenses	5,087	2,280
	262,997	250,729
Long-term		
Long-term investments (note 7)	4,215	4,481
Net capital assets (note 8)	3,539,939	3,537,985
	3,807,151	3,793,195
LIABILITIES AND ACCUMULATED EQUITY		
Current		
Accounts payable and accrued liabilities (note 9)	148,656	142,000
Deferred passenger revenue	30,540	36,140
Unsettled accident claims (note 10)	13,656	9,688
	192,852	187,828
Long-term		
Net capital contributions (note 11)	3,433,385	3,432,578
Employee benefits (note 12)	126,803	104,889
Unsettled accident claims (note 10)	31,644	29,012
Environmental and other liabilities (note 9)	7,526	6,953
	3,792,210	3,761,260
Commitments and contingencies (note 13)		
Accumulated equity	14,941	31,935
	3,807,151	3,793,195

See accompanying notes to the consolidated financial statements

Approved: Howard Moscoe
Commissioner

Joe Mihevc
Commissioner

TORONTO TRANSIT COMMISSION

Consolidated Statements of Operations and Accumulated Equity
Years ended December 31

	2003 ($000s)	2002 ($000s)
REVENUE		
Passenger services	661,263	648,810
Advertising	16,670	15,029
Outside City services	12,399	11,057
Property rental	10,970	10,661
Miscellaneous	8,649	10,166
Total revenue	709,951	695,723
EXPENSES		
Wages, salaries and benefits (note 12)	697,137	664,599
Depreciation	218,676	190,831
Amortization of capital contributions (note 11)	(205,031)	(176,790)
Materials, services and supplies	129,359	118,506
Vehicle fuel	36,374	34,297
Electric traction power	31,788	29,840
Accident claims	21,872	16,924
Wheel-Trans contract services	12,388	11,882
Property taxes	9,285	8,849
Total expenses	951,848	898,938
Net operating costs	(241,897)	(203,215)
Operating subsidies from City of Toronto (note 4)	224,903	204,001
Net operating (deficit)/surplus	(16,994)	786
Accumulated equity, beginning of the year	31,935	31,149
Accumulated equity, end of the year	14,941	31,935

See accompanying notes to the consolidated financial statements

TORONTO TRANSIT COMMISSION

Consolidated Statements of Cash Flows
Years ended December 31

	2003	2002
	($000s)	($000s)
CASH FLOWS FROM OPERATING ACTIVITES		
Cash received from passenger services	655,663	657,920
Other cash received	47,787	40,450
Cash paid to employees	(675,933)	(653,042)
Cash paid to suppliers	(236,072)	(186,744)
Cash paid for accident claims	(15,272)	(15,624)
Cash used in operating activities	(223,827)	(157,040)
CASH FLOWS FROM INVESTING ACTIVITES		
Capital asset acquisitions	(215,211)	(228,442)
CASH FLOWS FROM FINANCING ACTIVITES		
Operating subsidies received	246,980	186,669
Capital subsidies received	196,620	199,961
Cash provided by financing activities	443,600	386,630
Increase in cash and cash equivalents during year	4,562	1,148
Cash and cash equivalents, beginning of the year	27,419	26,271
Cash and cash equivalents, end of the year	31,981	27,419

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

The Toronto Transit Commission (the "Commission") was established on January 1, 1954 to consolidate and co-ordinate all forms of local transportation within the City of Toronto ("City"), except railways and taxis. As confirmed in the City of Toronto Act (1997), the Commission shall plan for the future development of local passenger transportation so as to best serve its inhabitants and the City and council are not entitled to exercise a power related to local transportation, except as it relates to Toronto Islands. However, from a funding perspective, the Commission functions as one of the agencies, boards, and commissions of the City and is dependent upon the City for both operating and capital subsidies. The Commission also operates Wheel-Trans, a transit service for people with disabilities, which is also subsidized by the City (note 4). The Commission is not subject to income and capital taxes and receives exemption from certain property taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation
These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for profit oriented organizations, unless otherwise directed to specific accounting recommendations of the Public Sector Accounting Board.

(b) Basis of consolidation
The consolidated financial statements include the operations of Wheel-Trans and the financial statements of the Commission's subsidiaries, Toronto Transit Consultants Limited ("TTCL") and Toronto Coach Terminal Inc. ("TCTI") and TCTI's subsidiary, TTC Insurance Company Limited (the "Insurance Co.").

(c) Measurement uncertainty
The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Subsidies
Operating subsidies are based on the operating budget approved by the City and are recognized during the year, to the extent that net operating costs are incurred. Contributions provided for the purchase of capital assets are amortized on the same basis as the related assets.

(e) Passenger revenue
Revenue is recognized when cash, tickets and tokens are used by the passenger to secure a ride. An estimate of tickets and tokens sold, which will be used after the year-end, is included in deferred passenger revenue.

Revenue from passes is recognized in the period in which the passes are valid. An estimated value of passes sold, but only valid after the year-end, is included in deferred passenger revenue.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and money market instruments, such as treasury bills and bankers' acceptances, which have original maturities at acquisition of three months or less and are readily convertible to cash on short notice. The investments are held by the City on behalf of the Commission.

(g) Spare parts and supplies inventory

Spare parts and supplies inventory are valued at weighted-average cost, net of allowance for obsolete and excess inventory.

(h) Capital assets and depreciation

Capital assets are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method, based on the estimated useful lives of major assets, as follows:

Asset	Years
Subway	20-65
Rolling stock	20-30
Buses	8-18
Buildings	12-40
Other equipment	3-25
Trackwork	10-25
Power distribution system	25-30

Land purchased directly by the City, for the Commission's use, is accounted for in the City's records.

(i) Long-term investments

Long-term investments are recorded at cost and written down for declines in value that are other than temporary.

(j) Unsettled accident claims

The Commission has a self-insurance program for automobile and general liability claims. When the claims are reported, the case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the Commission. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustment expenses.

(k) Employee benefit plans

The Commission has adopted the following policies:

- the Commission’s contributions to a multi-employer, defined benefit/defined contribution pension plan are expensed when contributions are made;

- the costs of post-employment benefits are recognized when the event that obligates the Commission occurs; costs include projected future income payments, healthcare continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis;

- the costs of other retirement benefits are actuarially determined using the projected benefits method prorated on service and management’s best estimate of retirement ages of employees, salary escalation, expected healthcare costs, and plan investment performance; accrued obligations and related costs of funded benefits are net of plan assets;

- liabilities are determined using discount rates that are consistent with the market rates of high quality debt instruments, with cash flows that match the expected benefits payments;

- transitional obligations arising from changes in accounting policies are being amortized on a straight-line basis over the expected average remaining service life of the employee group covered by the benefit plan at the date of the change;

- past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment;

- net actuarial gains and losses for post-employment benefits are amortized on a straight-line basis over the average expected period during which benefits will be paid, 10 years for workplace safety insurance benefits and seven years for long-term disability benefits;

- for other retirement benefits, the excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation and the fair value for plan assets, is amortized on a straight-line basis over the average remaining service period of active employees, ranging between twelve and fourteen years; and

- for the purpose of calculating the expected return on plan assets related to the supplemental pension plans, those assets are valued at fair value.

(l) Environmental provision

The Commission includes in its liabilities a provision for the cost of compliance with environmental legislation. Those conditions that have been clearly identified as being in non-compliance with environmental legislation and with costs that can be reasonably determined have been accrued. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

3. FINANCIAL INSTRUMENTS

The main categories of financial instruments held by the Commission are cash and cash equivalents, accounts receivable, long-term investments, and accounts payable and accrued liabilities. The fair values of these items approximate their book values.

4. OPERATING SUBSIDIES

The operating subsidies from the City are as follows:

($000s)	2003			2002
	Conventional	Wheel-Trans	Total	Total
Operating costs	196,043	45,799	241,842	204,001
From retained earnings	(16,881)	(58)	(16,939)	-
Operating subsidy (for financial statements)	179,162	45,741	224,903	204,001
City special costs	3,000	-	3,000	2,920
Capital from current	-	-	-	14,359
From TTC Stabilization Reserve Fund	-	-	-	(24,563)
Total City operating subsidy (in accounts of the City of Toronto)	182,162	45,741	227,903	196,717

Between 1971 and 1980, the City and the Province of Ontario (the "Province") covered the Commission's operating shortfalls, on a shared basis. From 1981 until 1993, a more formalized "Users' Fair Share" formula was used, with the Commission establishing its fares each year to cover 68% of total estimated operating expenses (as defined for provincial subsidy purposes). The City provided an operating subsidy equal to the remaining expenses. The City in turn obtained a subsidy from the Province equal to 16% of eligible expenses, plus additional subsidies for certain specified costs. Between 1994 and 1997, modified "flat-line" subsidies were provided by the City and the Province. However, as of January 1, 1998, the Province ceased providing operating subsidies for public transit. Currently, the total City operating subsidy amount is established as part of the City's annual budget process.

City special costs represent subsidies reflected in the City's budget that are not included in the Commission's operating subsidy but relate to the Commission. They include rents and taxes on commuter parking lots and costs associated with certain subsidized passengers. These subsidies and related expenses are not reflected in these consolidated financial statements.

Capital from current represented operating subsidies used primarily for assets with limited lives, such as environmental programs and Information Technology projects. These costs were recorded as capital assets and the subsidies were recorded as net capital contributions (note 11).

The TTC Stabilization Reserve Fund (the "Fund") was established by the City to stabilize funding over time. Any TTC operating surpluses were contributed to the Fund and any operating deficits, to the limit of the Fund's balance and after approval by the City, were covered by a draw from the Fund. The Fund was not reflected in the Commission's financial statements but was recorded in the accounts of the City. In accordance with a directive from the City, the Fund was fully depleted in 2002, in order to address the 2002 operating deficit.

5. CAPITAL SUBSIDIES

Capital subsidies, which are recorded as net capital contributions (note 11), are as follows:

	2003	2002
Source of capital subsidies:	($000s)	
- City of Toronto	133,620	79,594
- Province of Ontario	70,611	63,589
- Federal Government of Canada	13,700	62,300
Total capital subsidies	217,931	205,483

(a) City of Toronto
The City is responsible for funding 100% of the Commission's capital program. In accordance with the Municipal Act, any funding for the Commission's capital program from other governments flows through the City.

(b) Province of Ontario
Until 1996, the Commission received a 100% subsidy from the City for subway, light-rail additions and improvements, and certain other capital works projects. The City then recovered 75% of the subsidy from the Province. The Commission also received a 75% subsidy from the City for most of its other capital asset additions and the City in turn recovered the subsidy from the Province. This process was modified by the Province in 1996. A tripartite Capital Subsidy Agreement ("CSA") was signed in 1996 by the Commission, the City and the Province to cover capital subsidies over the period 1996 to 2000. However, in 1998, the Province provided a lump sum payment in settlement of its commitments under the CSA and then terminated all capital subsidies.

On September 27, 2001, the Province announced a ten-year funding commitment of $9 billion to "....provide ongoing funding for transit capital renewal by cost-sharing up to one third of eligible municipal requirements, to ensure that municipalities have the ability to meet current and future transit needs".

The Province paid $62.3 million in each of 2002 (October) and 2003 (December) under the Ontario Transit Renewal Program ("OTRP") towards funding for the Commission's capital vehicle and infrastructure costs. In addition, on August 15, 2002, the Province announced funding of $13.3 million, through the SuperBuild program, on the basis of proceeding with a specified list of projects. For the year ended December 31, 2003, the funding for incurred expenditures amounted to $8.3 million (2002 - $1.3 million).

(c) Federal Government of Canada
In April 2002, the Federal Minister of Transport announced funding of $76.0 million for the Commission's capital modernization and improvement program. The funding was to be provided by the Federal Government through the Canada-Ontario Infrastructure Program ("COIP") in two installments. A tripartite funding agreement between the Province, the City, and the Commission was executed by the Ministry of Transportation on December 19, 2002 to allow Federal funds to flow through the Province. The City received a cheque for $62.3 million in December 2002. A letter of amendment was signed on December 19, 2003 for the remaining Federal commitment under COIP and the City received a cheque for $13.7 million in December 2003.

In the Federal budgets of December 2001 and February 2003, the Federal Government announced the creation of the Canada Strategic Infrastructure Fund ("CSIF"), with contributions totalling $4.0 billion over ten years, as well as a further $1.0 billion for smaller municipal projects. In August 2003, a City of Toronto/Commission application for funding under CSIF was submitted. However, at this time, no details are known as to what portion of the funds may be available to the City or the Commission.

In the February 2004 'Speech from the Throne', a full GST rebate for cities was announced and confirmed in the Federal budget of March 2004. It is anticipated that the Commission will be eligible to claim the full GST relief because, according to the Department of Finance, it is one of those "...entities 'determined' by the Minister of National Revenue to be a municipality, for example transit commissions...". In addition, the government indicated that it would move quickly to commit funds within the existing infrastructure programs.

6. RECEIVABLE FROM CITY OF TORONTO AND RELATED PARTY TRANSACTIONS

The Commission is related to the City and its agencies, boards, and commissions in terms of the City's ability to affect the operating, investing, and financing policies of these entities. The Commission enters into transactions with these related parties in the normal course of business under normal trade terms.

The accounts receivable from the City and its related entities primarily consist of subsidy billings. To simplify the reconciliation of the Commission's accounts to those of the City, the receivable also reflects the netting of certain accounts payable to the City, including a loan due on demand, with accrued interest at prime.

	2003	2002
	($000s)	
Subsidies receivable	154,558	155,324
Other receivables	24,614	31,739
Other payables	(29,624)	(39,755)
Loan payable	(7,350)	(7,021)
Total receivable	142,198	140,287

Transactions with the City and its related entities, other than the subsidies (which are disclosed in notes 4 and 5), include the purchase of electric traction power and other materials, services, and supplies in the amount of $75.6 million (2002 - $38.9 million).

7. LONG-TERM INVESTMENTS

The investments consist of a municipal and a provincial bond, and shares in a publicly traded company, as the result of the de-mutualization of one of the Commission's insurance carriers. At December 31, 2003, the fair value of the bonds is $2.8 million (2002 - $3.0 million) and of the shares is $4.0 million (2002 - $3.3 million).

8. NET CAPITAL ASSETS

The Commission's cost of capital assets, net of accumulated depreciation, is as follows:

	2003	2002
	($000s)	
Subway	2,202,433	2,045,225
Rolling stock	1,475,002	1,464,546
Buses	555,299	545,842
Other equipment	430,907	363,180
Construction in progress	393,123	475,878
Trackwork	384,458	346,150
Buildings	366,914	360,934
Power distribution system	141,896	133,044
Land	13,086	13,086
	5,963,118	5,747,885
Less accumulated depreciation	2,423,179	2,209,900
Net capital assets	3,539,939	3,537,985

Land purchased directly by the City, for the Commission's use, is accounted for in the City's records. The insured value of all of the Commission's assets, not including land, in 2003 was $8.7 billion (2002 - $8.5 billion).

9. ENVIRONMENTAL LIABILITIES

As an operator of diesel buses that are refuelled on its own property and an enterprise that repairs and rebuilds buses and other rolling stock, the Commission and its subsidiaries are subject to various federal, provincial and municipal laws and regulations related to the environment. In 1996, an exhaustive environmental audit was conducted for the Commission by an external consultant. Although some remedial work had been undertaken prior to that audit, more comprehensive remedial and pro-active programs were then established and much work has been completed. However, certain programs are still active and these include: garage subsurface remediation, sewer usage compliance, waste management systems, liquid storage and handling compliance, storage tank and containment systems, underground storage removal, and PCB contaminated electrical equipment removal programs.

The Commission expects that expenditures of approximately $1.0 million will be incurred during 2004 and therefore this amount is included in accounts payable and accrued liabilities (2002 - $2.6 million). In addition, the consolidated balance sheets include a long-term provision for environmental costs of $7.0 million (2002 - $6.4 million) to cover the estimated costs of remediating sites with known contamination for which the Commission is responsible. Nevertheless, given that the estimate of environmental liabilities is based on a number of assumptions, actual expenses may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

10. UNSETTLED ACCIDENT CLAIMS

The Insurance Co. was established in 1994 in order to provide insurance coverage for compulsory automobile personal injury and accident benefit claims for the Commission. The Commission has purchased insurance from third party insurers to cover claims in excess of $5.0 million on any one accident.

At December 31, 2003, $35.7 million (2002 - $30.9 million) of the unsettled accident claims liability is related to the Insurance Co.'s payable for all automobile claims incurred. This payable is guaranteed by the City.

11. NET CAPITAL CONTRIBUTIONS

The net capital contributions of the Commission are as follows:

	2003	2002
	($000s)	
Balance, beginning of year	3,432,578	3,393,712
Capital from current (note 4)	-	14,359
Capital subsidies (note 5)	217,931	205,483
Amortization	(205,031)	(176,790)
Capital subsidy related to disposed assets	(12,093)	(4,186)
Balance, end of year	3,433,385	3,432,578
Accumulated amortization recorded to date	2,109,637	1,904,606

12. EMPLOYEE BENEFITS

The employee benefits liabilities of the Commission are as follows:

	2003	2002
	($000s)	
Post-employment benefits	79,718	75,581
Other retirement benefits	47,085	29,308
Total employee benefits	126,803	104,889

(a) Pension plan benefits
The Commission participates in a multi-employer, defined benefit/defined contribution hybrid pension plan that covers substantially all employees of the Commission. It is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members based on the length of service and average base year (pensionable) earnings. The members and the Commission each made required contributions of $38.5 million in 2003 (2002 - $37.2 million), which represented 6.25% of members' covered earnings up to the Canada Pension Plan's yearly maximum pensionable earnings (2003 - $39,900) and 7.85% of covered earnings in excess of this amount. Total contributions to the Society meet the minimum funding requirements in accordance with pension legislation and provide for the amortization of any unfunded liabilities over 15 years. In addition, the Commission contributed $2.0 million in 2003 (2002 - $2.2 million) for an early retirement provision.

(b) Post-employment benefits
The Commission provides self-insured long-term disability benefits, administered by an independent insurance carrier. In addition, the Commission, as a Schedule 2 employer under the Workplace Safety and Insurance Act, assumes responsibility for financing its workplace safety insurance costs. The benefit amounts and actuarial assumptions used are as follows:

	2003	2002
	($000s)	
Accrued benefit obligation	82,914	78,411
Unamortized transitional obligation	(7,110)	(8,295)
Unamortized net actuarial gain	3,914	5,465
Accrued benefit liability	79,718	75,581
Benefits expense	16,823	16,287
Benefits paid	14,067	13,780
Discount rate	6.00%	6.25%

(c) Other retirement benefits

The Commission provides limited medical and dental benefits to employees who retire with at least ten years of service.

The Commission maintains supplemental pension plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada). The benefit amounts and actuarial assumptions used are as follows:

	2003	2002
	($000s)	
Post-retirement medical and dental benefits	115,267	102,772
Supplemental pension benefits, obligation	7,089	9,812
Supplemental pension benefits, plan assets	(4,438)	(4,090)
Accrued benefit obligation	117,918	108,494
Unamortized transitional obligation	(27,986)	(30,811)
Unamortized past service cost	(23,318)	(28,415)
Unamortized net actuarial loss	(19,529)	(19,960)
Accrued benefit liability	47,085	29,308
Benefits expense	19,165	15,026
Benefits paid	2,874	2,360
Employer contributions to supplemental pension plan	131	1,258
Employee contributions to supplemental pension plan	131	84
Discount rate	6.00%	6.25%
Expected long-term rate of return on plan assets	2.50%	2.50%

The comparative figures for post-retirement dental benefits have been restated to reflect the valuation of the obligation on a basis consistent with the current year. The restatement increased the post-retirement dental benefit obligation by $38.0 million, increased unamortized past service cost by $28.4 million and increased unamortized net actuarial loss by $9.6 million. There is no net impact of these changes on the accrued benefit liability recorded on the consolidated balance sheets.

The following medical and dental cost increase assumptions have been used for long-term disability healthcare continuation and post-retirement medical and dental benefits:

Prescription drug costs	9% per annum in 2000, grading down to 5% over 5 years
Other medical and dental costs	5% per annum

13. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of its operations, the Commission and its subsidiaries are subject to various litigations and claims. The ultimate outcome of these claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts.

(b) A class action claiming $500.0 million in damages, plus interest and costs, was served on the Commission on November 30, 2001. The claim is based on alleged exposure by workers to asbestos during construction work at the Sheppard Subway Station. The claim also names the Ministry of Labour and an environmental consultant company as defendants and alleges various violations of the *Occupational Health and Safety Act* and its regulations. The action has not proceeded to the stage involving the motion for certification.

(c) In 2001, the Commission entered into an agreement to purchase 220 low-floor Orion diesel buses, at a total estimated contract cost of $113.4 million. At December 31, 2003, 100 vehicles have been received and a contract amendment reduced the contract to $113.1 million. Capital expenditures of $45.6 million were incurred in 2003 (2002 $0.5 million). In January 2004, a contract option was exercised with Orion for a further 250 low-floor diesel buses to be delivered in 2005, at an additional cost of $127.6 million, bringing the total contract cost to $240.7 million.

(d) The Commission has contracts for the construction and implementation of various capital projects. At December 31, 2003, these contractual commitments are approximately $67.6 million (2002 - $42.8 million).

(e) The Commission leases certain premises under operating lease agreements. The approximate future minimum annual lease commitments are as follows:

2004	$4,600,000
2005	4,700,000
2006	2,000,000
thereafter	–

14. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2003 consolidated financial statements.

AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

To the Chair and Members of the
Toronto Transit Commission

The audited financial statements for **Toronto Transit Commission** and our report thereon are presented in the preceding section of this report. The following information is for purposes of additional analysis and is not required for a fair presentation of the Commission's financial position, results of operations or cash flows. Such information has been subjected to the auditing procedures applied in our examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP
Chartered Accountants

Toronto, Canada,
March 22, 2004.

TORONTO TRANSIT COMMISSION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

$000s	TORONTO TRANSIT COMMISSION (TTC)	WHEEL-TRANS (WT)	TORONTO TRANSIT CONSULTANTS LTD (TTCL)	TORONTO COACH TERMINAL INC. (TCTI)	TTC INSURANCE COMPANY LTD (TTCIC)	TOTAL BEFORE INTERCOMPANY ELIMINATIONS	INTERCOMPANY ELIMINATIONS	**CONSOLIDATED FINANCIAL STATEMENTS**
STATEMENT OF OPERATIONS								
Revenue								
Passenger services	(658,897)	(2,366)	-	-	-	(661,263)	-	**(661,263)**
Advertising	(16,670)			-	-	(16,670)	-	**(16,670)**
Outside City services	(12,399)	-	-	-	-	(12,399)	-	**(12,399)**
Property rental	(10,110)	-	-	(860)	-	(10,970)	-	**(10,970)**
Miscellaneous	(4,910)	-	(3)	(4,268)	(41)	(9,222)	573	**(8,649)**
Total revenue	(702,986)	(2,366)	(3)	(5,128)	(41)	(710,524)	573	**(709,951)**
Expenses								
Wages, salaries and benefits	666,556	27,783	-	2,798	-	697,137	-	**697,137**
Depreciation	218,258	-	-	418	-	218,676	-	**218,676**
Amortization of capital contributions	(205,031)	-	-	-	-	(205,031)	-	**(205,031)**
Materials, services and supplies	123,020	5,412	-	868	41	129,341	18	**129,359**
Vehicle fuel	35,111	1,263	-	-	-	36,374	-	**36,374**
Electric traction power	31,788	-	-	-	-	31,788	-	**31,788**
Accident claims	20,658	1,174	-	-	-	21,832	40	**21,872**
Property taxes	8,669	145	-	471	-	9,285	-	**9,285**
Wheel-Trans contract services	-	12,388	-	-	-	12,388	-	**12,388**
Interest expense net	-	-	-	573	-	573	(573)	**-**
Income tax	-	-	-	58	-	58	(58)	**-**
Total expenses	899,029	48,165	-	5,186	41	952,421	(573)	**951,848**
Net operating costs/(income)	196,043	45,799	(3)	58	-	241,897	-	**241,897**
Operating subsidies	(179,162)	(45,741)	-	-	-	(224,903)	-	**(224,903)**
Net operating deficit/(surplus)	16,881	58	(3)	58	-	16,994	-	**16,994**
Accumulated (equity)/deficit, beginning of the year	(31,143)	-	(34)	4,735	-	(26,442)	(5,493)	**(31,935)**
Accumulated (equity)/deficit, end of the year	(14,262)	58	(37)	4,793	-	(9,448)	(5,493)	**(14,941)**
Not on TTC Financial Statements								
Operating subsidies (as above)	179,162	45,741	-	-	-	224,903	-	**-**
Operating subsidies for capital from current	-	-	-	-	-	-	-	**-**
City special costs	3,000	-	-	-	-	3,000	-	**-**
Draw from TTC Stabilization Reserve Fund	-	-	-	-	-	-	-	**-**
Total City operating subsidies	**182,162**	**45,741**	-	-	-	**227,903**	-	**-**
BALANCE SHEET								
Current Assets								
Cash and cash equivalents	30,053	-	137	391	1,400	31,981	-	**31,981**
Accounts receivable								
City of Toronto	142,244	-	-	-	-	142,244	(46)	**142,198**
Other	17,204	-	-	108	-	17,312	(435)	**16,877**
Spare parts and supplies inventory	66,854	-	-	-	-	66,854	-	**66,854**
Indemnity receivable from the TTC	-	-	-	-	35,666	35,666	(35,666)	**-**
Prepaid expenses	5,087	-	-	-	-	5,087	-	**5,087**
	261,442	-	137	499	37,066	299,144	(36,147)	**262,997**
Long-term Assets								
Long-term investments	4,215	-	-	-	-	4,215	-	**4,215**
Investment in subsidiary	6,904	-	-	1,400	-	8,304	(8,304)	**-**
Net capital assets	3,532,638	-	-	7,301	-	3,539,939	-	**3,539,939**
	3,805,199	-	137	9,200	37,066	3,851,602	(44,451)	**3,807,151**
Current Liabilities								
Accounts payable and accrued liabilities	(148,103)	-	-	(602)	-	(148,705)	49	**(148,656)**
Deferred passenger revenue	(30,540)	-	-	-	-	(30,540)	-	**(30,540)**
Unsettled accident claims	(13,606)	-	-	(50)	(35,666)	(49,322)	35,666	**(13,656)**
Income taxes payable	-	-	-	-	-	-	-	**-**
Due to parent	-	-	-	(11,729)	(1,300)	(13,029)	13,029	**-**
	(192,249)	-	-	(12,381)	(36,966)	(241,596)	48,744	**(192,852)**
Long-term Liabilities								
Net capital contributions	(3,433,385)	-	-	-	-	(3,433,385)	-	**(3,433,385)**
Employee benefits	(126,803)	-	-	-	-	(126,803)	-	**(126,803)**
Unsettled accident claims	(31,594)	-	-	(50)	-	(31,644)	-	**(31,644)**
Environmental and other liabilities	(6,964)	-	-	(562)	-	(7,526)	-	**(7,526)**
	(3,790,995)	-	-	(12,993)	(36,966)	(3,840,954)	48,744	**(3,792,210)**
Capital Stock	-	-	(100)	(1,000)	(100)	(1,200)	1,200	**-**
Accumulated (equity)/deficit	(14,204)	-	(37)	4,793	-	(9,448)	(5,493)	**(14,941)**
	(3,805,199)	-	(137)	(9,200)	(37,066)	(3,851,602)	44,451	**(3,807,151)**

Salary Disclosure – 2003

The Public Sector Salary Disclosure Act, 1996 requires the disclosure in the annual report of the salary and benefits of employees in the public sector who are paid a salary of $100,000 or more in a year. The following is a list of those employees for the year 2003.

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
Frank Ancona	Foreperson – Structure Rehabilitation	102,918	82
Terry Andrews	Chief Special Constable	107,971	3,259
Warren Bartram	General Superintendent - Track & Structure	147,815	3,259
Raymond Bateman	Superintendent – Electrical	101,096	82
Kent Bayley	Senior Design Engineer – Communications	118,289	82
Richard Beckingham	Survey Party Chief	103,040	82
Richard Beecroft	Chief Auditor – Internal Audit	125,935	3,259
Andy Bertolo	Chief Project Manager – Construction	147,815	3,259
Scott Blakey	Manager – Human Resources	147,815	3,259
Robert Boutilier	Deputy General Manager – Surface Operations	167,684	7,615
William Brown	Manager – Vehicle Engineering	132,583	3,259
Joseph Brunaccioni	Supervisor – Substations/Power Control	100,320	82
Paul Buttigieg	Chief Accountant – Financial Services	131,344	816
John Cannell	Manager – Pension Fund Society	129,473	3,259
John Cannon	Chief Information Officer	130,700	3,259
Dora Cheng	Director – Application Services	109,680	82
Allen Chocorlan	Manager – Materials and Procurement	147,815	3,259
Dennis Clarkson	Senior Designer – Communications	117,908	82
Jay Climenhaga	Head – Structural Design	100,790	82
Rick Cornacchia	Deputy General Manager – Subway Operations	167,684	7,615
Kathryn Dean	Manager – Training	128,065	3,259
Adelio Distefano	Supervisor – Structure Maintenance	103,426	82
Dave Dixon	General Superintendent – Bus Maintenance	147,815	3,259
Robert Dougherty	Supt.– Rail Cars & Shops Maintenance Engineering	106,678	82
Richard Ducharme	Chief General Manager	241,519	13,813
Andrew Duggan	Supervisor – Construction & Preventative Maintenance	109,785	82
Les Elbert	Senior Systems Analyst	111,500	82
Ken Eldridge	Senior Systems Analyst	103,369	82
George Esson	Senior Roadmaster	101,629	82
John Ewing	Senior Designer – Signals	123,955	82
John Ferguson	Supervisor – Wiring & Service Subway	103,581	82
Derick Finn	General Superintendent – Signals/Electrical/Communications	147,815	3,259
Silvano Florindi	Project Manager	106,678	82
Marlene Foley	Assistant Superintendent – Surface Division	109,884	82
William Frost	Manager – Support Services	129,473	3,259
Herrick Fu	Senior Systems Analyst	103,103	82
Ted Galea	Superintendent – Surface Division	100,971	82
Martin Glebe	Project Manager	100,247	82
Mario Guerra	Supt.– Carhouse/Harvey Shop/Technical Support	102,207	82
Lynn I. Hilborn	Deputy General Manager – Corporate	167,684	7,615
Dave Hughes	Director – Project Management	100,377	82
Robert Hughes	Chief Marketing Officer	120,987	3,259

NAME	POSITION	SALARY PAID	TAXABLE BENEFITS
Anthony Iannucci	Director – Technical Services	112,193	82
Bruce Janes	Supervisor – Subway/Structure Track	100,262	82
Orest Kobylansky	General Superintendent – Streetcar Maintenance	122,467	3,259
Stanley Koper	Superintendent – Wilson Carhouse	109,044	82
Stephen Lam	Superintendent – Vehicle Engineering	102,298	82
Michael Lamanna	Systems Analyst	101,400	82
Brian Leck	General Counsel	147,815	3,259
Tommy Lee	Project Manager	103,256	82
Donald Leger	General Superintendent - Plant Maintenance	147,815	3,259
Brian Longson	Superintendent – Track & Structure Maintenance Engineering	106,678	82
Graham Low	Senior Supt. – Heavy Maintenance Harvey Shop	109,680	3,259
Donald MacDonald	Tower Controller	106,567	82
Alastair MacDonald	Assistant Manager Purchasing & Sales	100,790	82
Paul Macintosh	Construction Manager	109,760	3,259
Jaggernauth Maharaj	Chief Accountant – Payroll & Costs	106,678	82
Geoffrey Marinoff	General Superintendent – Rail Cars & Shops	137,824	3,259
Karen McGuire	Associate General Counsel	129,473	3,259
Stuart McKay	Senior Design Engineer – Signals	108,731	82
Thomas Middlebrook	Chief Engineer	147,815	3,259
Paul Millett	General Supt. – Subway Transportation	147,815	3,259
Luigi Narduzzo	Supervisor – Leak Remediation	102,994	82
John O'Grady	Chief Safety Officer	129,473	3,259
David Partington	Senior Supt. – Heavy Maintenance Duncan Shop	109,686	3,259
Tony Pereira	Superintendent - Communications Bus & Rail	101,077	82
Milan Pristupa	Superintendent – Signals/Electrical/Communications Engineering	106,678	82
Susan Reed Tanaka	Chief Project Manager – Construction	123,576	3,259
Mark Reidak	Superintendent – Signals	101,077	82
Michael Roche	Chief Financial Officer	147,815	3,259
Vincent Rodo	General Manager – Executive/General Secretary	182,510	13,813
John Sepulis	General Manager – Engineering & Construction	179,069	13,813
Howard Smith	General Superintendent – Surface Transportation	133,301	3,259
Ira Stambler	Manager – Service Planning	129,473	3,259
James Teeple	Superintendent – Streetcar Way	101,077	82
Robert Thacker	General Superintendent - Wheel-Trans	147,815	3,259
Richard Thompson	Head - Special Projects	106,678	82
Graham Tulett	Project Manager	100,247	82
Denise Vasey	Project Manager	100,249	82
Richard Vince	Deputy Chief Engineer – Controls	106,678	82
Kirsten Watson	Senior Director – Human Resources	129,473	3,259
Gary Webster	General Manager – Operations	182,510	13,813
Charles Wheeler	Manager – Property Development	121,840	3,259
Leonard Wilgus	Senior Solicitor	109,680	3,259
Kee Wong	Superintendent – Plant Maintenance Engineering	102,298	82
John Ycas	Senior Project Engineer	100,803	82

TORONTO TRANSIT COMMISSION
Conventional System 10-Year Non-consolidated Financial and Operating Statistics

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
OPERATING STATISTICS (regular service inside the City)										
Passenger Trips (Millions)	405.4	415.5	420.0	410.6	392.6	388.7	379.9	372.4	388.2	388.3
Basic Adult Ticket Fare (at December 31) ($)	1.90	1.80	1.80	1.70	1.70	1.60	1.60	1.60	1.50	1.30
Average Number of Employees (including TCTI)	10,450	10,356	10,191	10,095	10,049	9,462	9,133	9,129	9,459	9,621
Average Hourly Wages & Benefits per Operator ($)	34.79	33.45	32.29	31.25	30.20	29.06	28.99	29.72	28.25 [1]	28.08 [1]
Kilometres Operated (Millions)										
Buses	99.8	100.4	97.7	95.0	94.4	94.5	93.7	93.7	100.9	100.5
Subway Cars	77.5	76.2	75.5	74.4	67.4	67.6	65.5	63.9	62.8	63.8
Streetcars	11.8	11.3	11.7	11.3	11.4	12.1	10.6	10.9	11.1	11.2
Scarborough RT Cars	4.1	4.3	4.4	4.2	3.9	4.1	3.7	3.6	3.7	3.6
Total Kilometres Operated	193.2	192.2	189.3	184.9	177.1	178.3	173.5	172.1	178.5	179.1
OPERATING REVENUE STATISTICS										
Operating Revenue – including property rental, etc. ($ Millions)	703.0	687.8	670.6	630.2	585.2	563.9	559.4	514.8	457.3	444.8
Operating Revenue per Passenger Trip ($)	1.73	1.66	1.60	1.53	1.49	1.45	1.47	1.38	1.18	1.15
Operating Revenue per Kilometre ($)	3.64	3.58	3.54	3.41	3.30	3.16	3.22	2.99	2.56	2.48
OPERATING EXPENSE STATISTICS										
Operating Expenses ($ Millions)	899.0	848.9	797.2	745.1	706.8	702.8	703.5	684.0	671.8	671.9
Operating Expense per Passenger Trip ($)	2.22	2.04	1.90	1.81	1.80	1.81	1.85	1.84	1.73	1.73
Operating Expense per Kilometre ($)	4.65	4.42	4.21	4.03	3.99	3.94	4.05	3.97	3.76	3.75
OPERATING SUBSIDY STATISTICS										
Operating Subsidy ($ Millions) **(See Note 13)**	179.2 [12]	161.1 [11]	126.6 [10]	112.5 [9]	121.5 [8]	138.9 [5]	158.9	169.2 [3]	214.6 [2]	207.1
Operating Subsidy per Passenger Trip ($)	0.44	0.39	0.30	0.27	0.31	0.36	0.42	0.45	0.55	0.53
Operating Subsidy per Kilometre ($)	0.93	0.84	0.67	0.61	0.69	0.78	0.92	0.98	1.20	1.16
OPERATING DEFICIT/(SURPLUS) STATISTICS (see Notes for details)										
Operating Deficit/(Surplus) ($ Millions)	16.9 [12]	-	-	2.4 [9]	-	-	(14.8) [4]	-	-	20.0 [1]
Operating Deficit/(Surplus) per Passenger Trip ($)	0.04	-	-	0.01	-	-	(0.04)	-	-	0.05
Operating Deficit/(Surplus) per Kilometre ($)	0.09	-	-	0.01	-	-	(0.09)	-	-	0.11
REVENUE/COST RATIO	78.2% [7]	81.0% [7]	84.1% [7]	84.6% [7]	82.8% [7]	80.2% [6]	80.4%	75.7%	69.3%	69.4%
CAPITAL ASSETS (Conventional & Wheel-Trans)										
Investment in Capital Assets at December 31 ($ Millions)										
Gross Investment (before contributions & depreciation)	5,948.7	5,733.5 [14]	5,514.5	5,230.3	4,849.2	4,258.4	3,721.2	3,353.6	3,042.4	2,830.6
City & Provincial Contributions	(5,662.0)	(5,444.1) [14]	(5,224.3)	(4,925.4)	(4,547.2)	(3,951.8)	(3,420.8)	(3,055.9)	(2,738.8)	(2,532.9)
TTC Investment (before depreciation)	286.7	289.4 [14]	290.2	304.9	302.0	306.6	300.4	297.7	303.6	297.7
PASSENGER VEHICLE FLEET										
(Conventional & Wheel-Trans, owned or leased and in service at December 31)										
Buses	1,489	1,468	1,480	1,468	1,483	1,498	1,468	1,525	1,542	1,564
Subway Cars	684	692	692	672	660	638	620	640	622	622
Streetcars	248	248	248	248	248	248	248	248	248	267
Scarborough RT Cars	28	28	28	28	28	28	28	28	28	28
Wheel-Trans Buses	144	135	142	149	150	140	140	140	140	140
Total Vehicle Fleet	2,593	2,571	2,590	2,565	2,569	2,552	2,504	2,581	2,580	2,621

Notes:

1. The lower average hourly wages & benefits per Operator in 1994 and 1995 related to the Social Contract savings. In 1994, the $20.0 million net operating deficit reduced the Commission's accumulated equity.
2. The 1995 Metro subsidy of $110.0 million included $10.2 million from the Transit Improvement Reserve Fund and $7.5 million from the Metro Contingency Account.
3. The 1996 Metro subsidy of $79.2 million included $2.5 million from the Metro Contingency Account. The $6.4 million write-down of the advance to the TCTI subsidiary, a non-operating cost (therefore not included in the above table), reduced the Commission's accumulated equity.
4. In 1997, the $14.8 million net operating surplus increased the Commission's accumulated equity.
5. On January 1, 1998, the City of Toronto assumed all assets and liabilities of Metro and all Provincial operating subsidies ceased. The total subsidy paid by the City was $149.3 million, consisting of $138.9 million for operating subsidy, $7.4 million for capital from current, $1.9 million for City special costs and a $1.1 million contribution to the TTC Stabilization Reserve Fund.
6. In previous years, the revenue/cost ratio had been determined in accordance with Provincial operating subsidy rules on eligible revenues and expenses, which, if applied in 1998, would have yielded a slightly higher revenue/cost ratio. The 1998 revenue/cost ratio was recalculated as operating revenue/operating expenses (excluding $7.4 million for capital from current).
7. The 2003 and 2002 revenue/cost ratios were calculated as operating revenue/operating expenses (**excluding** capital from current). The 1999, 2000 and 2001 ratios were restated in 2002 to conform to the presentation adopted in 2002.
8. In 1999, the total subsidy paid by the City was $148.9 million, consisting of $121.5 million for the operating subsidy, $17.8 million for capital from current, $2.4 million for the City special costs and a $7.2 million contribution to the TTC Stabilization Reserve Fund.
9. In 2000, the total subsidy paid by the City was $144.3 million, consisting of $112.5 million for the operating subsidy, $17.6 million for capital from current, $2.1 million for the City special costs and a $12.1 million contribution to the TTC Stabilization Reserve Fund. The $2.4 million net operating deficit reduced the Commission's accumulated equity.
10. In 2001, the total subsidy paid by the City was $147.6 million, consisting of $126.6 million for the operating subsidy, $18.1 million for capital from current and $2.9 million for City special costs.
11. In 2002, the total subsidy paid by the City was $152.2 million, consisting of $161.1 million for the operating subsidy, $12.7 million for capital from current, $2.9 million for City special costs, less a $24.5 million draw from the TTC Stabilization Reserve Fund.
12. In 2003, the total subsidy paid by the City was $182.2 million, consisting of $179.2 million for the operating subsidy and $3.0 million for City special costs. The $16.9 million net operating deficit reduced the Commission's accumulated equity.
13. The operating subsidy amounts do not include the capital from current amounts. For 1998 to 2002, the operating subsidy and operating subsidy per passenger and per kilometre amounts have been adjusted.
14. In 2003, the process for recording the disposition of subsidized capital assets was revised. The 2002 capital assets amounts were restated to conform to the presentation adopted in 2003.

Management Directory – 2003

OFFICERS AND SENIOR OFFICIALS

Richard C. Ducharme
Chief General Manager

Robert A. Boutilier
Deputy General Manager
Surface Operations

Rick Cornacchia
Deputy General Manager
Subway Operations

Lynn I. Hilborn
Deputy General Manager
Corporate

Brian M. Leck
General Counsel

Vincent Rodo
General Secretary/
General Manager
Executive

John A. Sepulis
General Manager
Engineering & Construction

Gary M. Webster
General Manager
Operations

DEPARTMENT HEADS

Terry A. Andrews
Chief Special Constable

Warren H. Bartram
General Superintendent
Track and Structure

Dick G. Beecroft
Chief Auditor

Andy G. Bertolo
Chief Project Manager
Construction

Scott Blakey
Manager
Human Resources

William D. Brown
Manager
Vehicle Engineering

John D. Cannell
Manager
Pension Fund Society

John D. Cannon
Chief Information Officer

Allen J. Chocorlan
Manager
Materials and Procurement

Kathryn Dean
Manager
Training

Dave Dixon
General Superintendent
Bus Maintenance

Derick Finn
General Superintendent
Signals/Electrical/
Communications

William G. Frost
Manager
Support Services

Bob Hughes
Chief Marketing Officer

Orest Z. Kobylansky
General Superintendent
Streetcar Maintenance

Don Leger
General Superintendent
Plant Maintenance

Geoff Marinoff
General Superintendent
Rail Cars and Shops

Thomas G. Middlebrook
Chief Engineer

Paul Millett
General Superintendent
Subway Transportation

John P. O'Grady
Chief Safety Officer

Michael A. Roche
Chief Financial Officer

Howard Smith
General Superintendent
Surface Transportation

Mitch Stambler
Manager
Service Planning

Robert J. Thacker
General Superintendent
Wheel-Trans

Charles W. Wheeler
Manager
Property Development

SUBSIDIARY COMPANIES

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