

# Table of Contents

Message from the Chairman of the Board of Directors .....	2
Board of Directors .....	3
Audit Committee .....	4
Customer Service Committee .....	4
The STM over the months .....	5
Report on Vision 2002 .....	6
The bus system .....	7
The métro system .....	11
Finances .....	14
Human Resources .....	17
Management structure .....	20
Customer information .....	23
Communication campaigns .....	25
Association with major events .....	28
Social commitment .....	30
International cooperation .....	31
Financial Statements .....	33

## Message from the Chairman of the Board of Directors

The year 2002 saw the birth of the new city of Montreal, and as a result the STCUM became the STM. This new name did not change the company's mission, and it continues to serve the same territory. This first year of operation within a new administrative framework has, however, been marked by numerous changes in the delivery of service to customers and by an increase in ridership of 8.3 million trips compared with the preceding year.

The bus system saw the creation or modification of several lines to respond more effectively to the needs of citizens, needs that are evolving with the years. Whether through the creation of new lines, modifications to routes or schedules, establishment of public taxis or financial partnerships with companies, the STM did everything in its power to ensure that customers of the bus system were better served than ever. The meaningful results of some of these improvements, line 148 – Métrobus Maurice-Duplessis for example, indicate that the company is really listening to its clientele and that it has a good understanding of where the needs lie. Major efforts have been dedicated to Paratransit with an additional \$ 350,000 being invested at the end of the year so that this clientele would also benefit from better service.

The bus maintenance situation was reviewed, and procedures were improved in order to make the greatest possible number of vehicles fit for service. This exercise bore fruit with 99.31% of the planned service delivered during the year.



Things also ran smoothly with the métro system where more than one hour of service was added at night on line 5-blue, a decision that was welcomed by, among others, the students and management of the Université de Montréal. Not to mention that these students, along with other Montreal students aged 18 to 25 had already received quite a gift at the start of the year with the implementation of the Carte Privilège. This offer gave them a 50% discount on the purchase of their monthly pass, a saving of \$ 300 per year. As a result of actions undertaken in 2000, the number of crimes against a person in the métro was reduced by 45% in two years, and an ongoing awareness effort resulted in a significant reduction in the number of interruptions in service caused by the doors being held open.

But the métro also experienced its dark days, in particular during the Labour Day weekend when a break in a water pipe on line 4-yellow caused an interruption in service lasting more than 24 hours on this segment of the system. This incident

demonstrated the importance of investing in the renovation and replacement of certain métro equipment that has reached the end of its useful life. The first cars were put into service in 1966 and were completely renovated at the beginning of the 1990s. All the metro systems around the world have, in fact, set the optimal life of their cars at 40 years. Those in the Montreal métro must be replaced as soon as possible in order to be able to continue to provide reliable service.

The necessary investments are huge, and the various levels of government will have to give their support to public transit and find new sources of financing that will enable us to maintain a heritage valued at more than five billion dollars and preserve the quality of service provided to Montrealers.

Make the choice of public transit. It's a necessity!

Claude Dauphin  
Chairman of the Board of Directors

## Board of Directors

### **Claude Dauphin**

Chairman  
Montreal city councillor  
Chairman of the borough of Lachine

### **Marvin Rotrand**

Vice-chairman  
Montreal city councillor  
Borough of Côte-des-Neiges/Notre-Dame-de-Grâce

### **Jacques Cardinal**

Montreal city councillor  
Chairman of the borough of Sainte-Geneviève/Sainte-Anne-de-Bellevue/L'Île-Bizard

### **John W. Meaney**

Montreal city councillor  
Chairman of the borough of Kirkland

### **Bernard Blanchet**

Montreal city councillor  
Borough of Lachine

### **Yvette Bissonnet**

Montreal city councillor  
Borough of Saint-Léonard

### **Dominic Perri**

Montreal city councillor  
Borough of Saint-Léonard

### **Brenda Paris**

Public transit users' representative

### **Marie Turcotte**

Paratransit users' representative



## Audit Committee

### Jacques Cardinal

Chairman

Montreal city councillor

Chairman of the borough of Sainte-Geneviève/Sainte-Anne-de-Bellevue/L'Île-Bizard

### John W. Meaney

Chairman

Montreal city councillor

Chairman of the borough of Kirkland

### Francine Gauthier, CA

Interim Director-General

### Michel Bélanger, FCA

External Member

Financial Management Advisor

### Robert Desforges, CA, Adm. A

External Member

Desforges, Germain, Gendron, CA

## Customer Service Committee

### Marvin Rotrand

Chairman

Montreal city councillor

Borough of Côte-des-Neiges/Notre-Dame-de-Grâce

### Yvette Bissonnet

Montreal city councillor

Borough of Saint-Léonard

### Brenda Paris

Transit users' representative

### Marie Turcotte

Paratransit users' representative

### Francine Gauthier

Interim Director-General

### Robert Olivier

Coordinator

Interim Executive Director

Planning and Operations Support

## The STM over the months

### January

As part of the municipal mergers, the STCUM becomes the STM and acquires a new board of directors.

The reduced fare for students aged 18 to 25 is a great success! More than 70,000 students acquire the Carte Privilège and benefit from a reduction of 50% on the purchase of their monthly passes, a saving of \$ 300 per year.

### February

In collaboration with Suicide-Action Montréal, the STM launches "Signaler, c'est aider", an avant-garde awareness campaign to prevent suicide attempts in the métro.

### March

The BIOBUS project sees the light of day. For a one-year period, 155 buses from the Frontenac transportation centre will run on biodiesel fuel in downtown Montreal.

### April

The Board of Directors approves an investment of \$ 101.7M to replace the outdated fare sale and collection system with automated equipment that will provide, among other things, a better control of receipts.

The STM presents a brief to the Commission de consultation sur l'amélioration de la mobilité entre Montréal et la Rive-Sud (Nicolet Commission). This brief concluded with the will to have the courage to choose public transit.

The Web site celebrates its fifth anniversary. Launched on April 17, 1997, the 10,000-page site welcomed more than four million visitors in 2002. Guide Internet ranked it among the 100 top sites in Quebec.

### May

Deposit of the 2001 Financial Statements. A result of good management, they reflect a surplus of revenues over expenditures of \$ 16M.

The A "high" and A+ credit ratings are maintained for a third consecutive year.

A métro operator dies after being hit by a train. It is the first time in more than 36 years of operation that an employee in service has been the victim of this type of accident.

### June-July

In order to test a change to the interior configuration of the MR-73 métro cars, three cars are redesigned, and customers are asked to provide their comments.

Public consultation on Paratransit enables clients and representatives from community organizations to put forward their points of view and the STM to target its action plan more effectively.

### August

Service is extended in the evening on line 5-blue of the métro following a significant increase in ridership.

The rupture of a pipe supplying the sprinkler systems causes an interruption in service on line 4-yellow of the métro lasting more than a day. This incident demonstrates the urgency of investing in métro renovation.

### September

Planibus, one of the most appreciated customer information tools, celebrates its 10th anniversary. Published for the first time in its present form in September 1992, 1,295,000 copies of these bus schedules are distributed in the system four times per year.

The regular bus system includes 82 lines that are accessible to persons travelling in a wheelchair.

### October

The Director-General, Jacques Fortin, leaves the company after thirteen years of loyal service, including more than five in management. Francine Gauthier, Treasurer and Director, Management of Financial Resources and Control, assumes the position on an interim basis.

The STM injects an additional \$ 350,000 into the Paratransit budget in order to respond more effectively to its needs.

### November-December

The 2003 budget rises to \$ 764.6M, an increase of 5.4% from 2002. This increase can be explained, in part, by the resumption of the company's contributions to the employee pension fund and by the investment of the \$ 3.3M necessary to ensure the reliability of the buses and the métro.



## Report on Vision 2002

In 2000 the STM developed a business plan that would enable it to start off the new century by affirming its status as a successful public company, resolutely centred on its clientele. To achieve this, the company developed an integrated vision to carry it to the end of the year 2002.

Over the past few years, public transit has continued to lose market share to the automobile. As a result, the company's greatest concern was to do everything in its power to ensure that public transit would play a more important role in the Montreal area. This programme, entitled Vision 2002, was rolled out over three years and was implemented based on four themes from which the action plans were solidified.

- The STM plays a leadership role in the development of public transit.
- 90% of clients are satisfied with the services provided.
- 90% of Montreal taxpayers, customers and employees consider the STM to be an efficient and successful company.
- 90% of employees are mobilized.

An ambitious plan for implementation at all levels of the company, objectives by sector, and a schedule for the follow-up of the results of Vision 2002 were put in place in the fall of 2000. The plan consisted of communicating the company's objectives, announcing the achievement of the results by means of monthly indicators and reporting the progress three times per year to all the employees as well as to the Board of Directors.



A performance-based management remuneration programme, tied in with the achievement of the Vision 2002 objectives was also set up, along with training programmes. As well, a special budget was allocated to enable work teams to celebrate their successes.

In addition, kits containing the plan and reference documents were produced as support for the managers who had to create awareness of Vision 2002 within their milieu and discuss with their personnel the specific objectives for their sector, in line with the principal objectives for the entire company.

A video presenting Vision 2002, and involving managers, employees as well as clients, was also produced and served as one of the principal communication tools. The employee participation rate was, on the whole, very high. It should be mentioned that all the bus drivers were invited to meetings, and more than 50% attended, a first for the STM! Finally, large scoreboards presenting the monthly results for the principal indicators are now posted in the work areas.

Among the significant results of Vision 2002:

- an increase of 6.5% in métro ridership over three years;
- improvement of close to 7% in the punctuality of buses;
- almost 98% of métro clients arrive on time;
- decrease of 14% in comments from customers regarding the conduct of bus drivers;
- reduction of 2.2% in the rate of absenteeism compared to 2001.

## The bus system

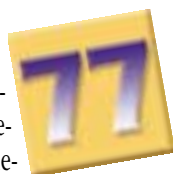
In 2002 the bus system enjoyed considerable growth. Whether it was the creation of new lines, modification of routes or schedules, financial partnerships with companies or municipal administrations or the establishment of public taxis, a great deal of effort was dedicated to providing customers with a service that was better adapted to their needs. The overhaul of the maintenance procedures ensured a better availability of vehicles, thus enabling the company to deliver 99.31% of the planned service.



### Made to measure services

With the city in a state of constant change, the bus service must adapt itself to the new needs of its clientele to encourage the greatest number of people to use public transit. This is why the population in various sectors is regularly sounded out so as to define their needs more effectively. Several improvements were made to the service following meetings with the population or with representatives from various milieus in each of the sectors concerned.

- Line **77 - CEGEP Marie-Victorin**, developed in collaboration with the management of CEGEP Marie-Victorin, enables students and employees to travel to the college more quickly and more directly from the Radisson métro station. Of



course, employees from nearby companies also benefit from this rush-hour service.

- Created in partnership with Hydro-Québec, principally for the some 1,800 employees of this company living in the areas served by the Deux-Montagnes and Blainville commuter trains, line **135 - De l'Esplanade** serves the sectors of Marché central and Place de la mode as well as the Hydro-Québec installations located on Jarry, Esplanade and Crémazie from the Du Ruisseau train station.

- At Île-Bizard, line **265 - Trainbus Île-Bizard** and a public taxi service were established to respond more effectively to the needs of residents. The bus line offers a direct link with CEGEP Gérald-Godin and the Roxboro-Pierrefonds train station, while the public taxi provides services to a portion of the island where buses could not travel. The Taxibuses provide a link during rush hour between the eastern and southeastern sectors of the island and the terminus of line 265.



- A **public taxi service** was also set up in the borough of Lachine. It is designed to facilitate the trips of workers in the Lachine industrial park by providing them with a direct link to the regular STM bus system and to the Dorval bus station outside rush hour.
- Due to a major increase in employment in the industrial parks in Kirkland and Baie-d'Urfé, the public taxi service set up in January 1999 was no longer meeting the demand. It was replaced by the extension of the route of line 219 - Parc industriel Kirkland that then became line **219 - Chemin Sainte-Marie**. This service is offered during rush hour from the Baie d'Urfé train station and the Fairview terminus.
- The borough of Saint-Laurent, for its part, joined forces with the STM to create line **71 - Pitfield** serving the Trans-Canada industrial park outside rush hour. This service is offered from the Côte-Vertu métro station and responds to the needs of workers whose shifts are spread out over the day.



## More reliable buses

Thanks to a subsidy of \$ 21M granted by the Quebec Transport Department to all the transit companies in the province, the programme covering low-floor bus reliability was able to see the light of day. It consists of improving the reliability of the 746 vehicles delivered between 1996 and 2000 and thus increasing service availability. The programme covered 456 buses at the STM, giving it approximately \$ 14M of the total subsidy. While each transit company is responsible for carrying out its own work, the STM is acting as project manager for the research and development of solutions.



Some 30 problems were identified and classified in order of priority and will be corrected between now and March 2005 when the programme ends. Measures have been taken to reduce the brake noise and to improve the positioning of the right-side mirror in order to eliminate vibrations and provide better visibility. Work is also being carried out on, among other things, the ease of opening the windows and greater reliability of the access ramp. These improvements will obviously have a positive effect on the perceptions of customers, drivers and low-floor bus maintenance employees and will contribute to increasing the quality of customer service.

It should be noted that the Quebec transit companies had signed a group purchase contract with NovaBus for 2000-2002. In December, there remained some 100 vehicles to be delivered to the STM on this order, and another contract was signed in September for the purchase of 825 low-floor buses, of which 382 are destined for

the STM. The delivery of these vehicles will be staggered from 2003 to 2007 and should begin in the spring of 2003.

## The accessible network continues to expand



Since 1998, following a pilot project conducted in collaboration with the Regroupement des usagers du transport adapté (RUTA), the STM has undertaken to make its bus system accessible to persons travelling in wheel-

chairs. During 2002, 35 lines were added to the list, bringing to 82 the number of lines that can accommodate these clients. A pioneer in this area, the STM at first provided this service during weekday rush hours, on weekends and on holidays. Since June 2001 the service has been provided at all times.



## Supplemental funds for Paratransit

To deal with the 5.6% ridership increase on Paratransit, the Board of Directors agreed to inject an additional \$ 350,000 into the \$ 28.5M budget approved by the Quebec Transport Department. This measure enables the company to provide 30,000 additional trips and to respond more appropriately to the pronounced increase in demand.

This decision resulted from a recommendation by the Customer Service Committee, presided over by Marvin Rotrand, Vice-chairman of the Board of Directors of the STM, and on which Marie Turcotte, the Paratransit Users' Representative, also sits. It followed requests made by customers, the community and certain partners during the public consultation held on June 19, 2002.

The STM is working with the Transport Department on the revision of the financial framework for Paratransit in order to find concrete solutions to the financing problem and provide a quality service to customers that truly responds to their needs. In 2002, 1.35 million trips were carried out, compared to 1.28 million in 2001. To provide this service, the STM is equipped with 80 adapted minibuses and 13 regular minibuses and, thanks to the contractual agreements signed with the taxi associations and owners, it also has 550 regular taxis and 40 accessible taxis available for its clientele.



## ACCES to Paratransit

The installation of the ACCES-V software package at the Paratransit Centre continued throughout the year. This \$ 8.4M project, for which the financing was approved in 2001, covers the implementation of an operations management software package that will enable the company to provide better service to Paratransit customers, reduce the average cost of trips and increase the number of trips. Thanks to this effective system, admissions, reservations, schedules, on-road follow-up and billing will be handled much more efficiently.

In concrete terms, this will translate into, among other things, a more rapid handling of requests. With the present system, a client can be faced with several attempts before getting a response, and the handling time is sometimes long. ACCES will ensure ratios of 4 to 1 with a handling time of three minutes. In addition, it will permit the immediate handling of regular schedules, thus eliminating delays that can presently reach three weeks. Customers should be able to benefit from this new technology during 2003.

## The Frontenac transportation centre goes green

On March 25, 2002, in collaboration with the Canadian Renewable Fuels Association, the Fédération des producteurs de cultures commerciales du Québec and Rothsay-Laurenc, a subsidiary of Maple Leaf Foods, the STM launched the BIOBUS project. Over a one-year period, 155 buses from the Frontenac transportation centre will travel on the streets of downtown Montreal using biodiesel, a fuel made from recycled sub-food-grade vegetable oils and animal fats. The B5 and B20 used for the project are a mixture of 5% and 20% biodiesel to regular diesel.

The project provides the opportunity to evaluate biodiesel under real-life conditions, particularly in cold weather and to determine the feasibility of supplying a transit company with this renewable energy source. In addition, the project will assess the economic and environmental impacts of using this renewable fuel. The STM is proud to be associated with this research project, the most important ever carried out in North America in the area of public transit in an urban environment. The project has a budget of more than \$ 1.3 million and will require the use of 500,000 litres of biodiesel fuel.



## The bus system consists of:

185 bus lines (including 20 in the night service)

11 reserved lanes covering 45.5 kilometres

### Fleet of vehicles

Classic buses	935
Low-floor buses	655
Paratransit minibuses	93
Urban minibuses	7

### Punctuality of the buses

Performance expressed in %

	2000	2001	2002
Objective (-1 min. + 3 min.)	76.8	78.93	82.1

### Delivery of planned service

99.31%

### Kilometres travelled

Buses	70,544,000
Paratransit minibuses	3,030,502

### Accidents with damages involving a bus or minibus

1998	1999	2000	2001	2002
2,844	2,897	3,153	2,704	2,659

### Busiest lines

(Average daily weekday ridership)

1.	80 – Avenue du Parc	15,800
	165 – Côte-des-Neiges	20,100
	535 – Avenue du Parc/Côte-des-Neiges reserved lane	35,700
		<b>71,600</b>
2.	139 – Pie-IX	34,000
	505 – Pie-IX reserved lane	7,900
		<b>41,900</b>
3.	67 – Saint-Michel	<b>41,800</b>
4.	121 – Sauvé/Côte-Vertu	<b>32,600</b>
5.	69 – Gouin	<b>30,300</b>

## The métro system

**T**he métro continued to provide reliable service to its clientele despite its more than 36-year-old equipment. Service interruptions caused by rolling stock decreased due, in great part, to the reduction in the number of interruptions caused by the doors of the MR-63 cars, a problem that was resolved thanks to the sustained efforts of maintenance personnel. The source of the greatest increase in interruptions was ill passengers aboard the cars.

None the less, in order to continue to provide reliable service, the métro must renew its equipment as soon as possible, as was proved by the incident on the Labour Day weekend when a break in a water pipe caused a service interruption on line 4-yellow lasting more than 24 hours.

### More service on the blue line

At the end of August, the schedule on line 5-blue was extended to respond to the continual increase in ridership on this segment of the system. Customers are now benefiting from 65 additional minutes of service in the evening with six trips added in both directions. The last trains leave the Snowdon and Saint-Michel terminuses at 12:15 a.m.

This measure, valued at \$ 750,000 per year, became necessary due to the ongoing increase in the use of the blue line since 1997. Its ridership has, in fact, risen from 17.4 million in 1997 to 19.1 million in 2001, an increase of 9.2%. Management at the Université de Montréal is delighted with this improvement in service as it will increase accessibility to the campus for the tens of thousands of students, professors and university employees who use it and will encourage them to use public transit more.

### Planning for the future

With métro ridership on the increase since 1996, the STM must find short-term solutions to respond to the demand. Moreover, with the opening of three new stations in Laval in 2006, it must also plan for a further increase of 50,000 trips per day.

more space. Prototype C, for its part, features 34 seats and provides 12% more space.

Throughout the trials, which will continue in 2003, clients were asked to provide their comments via forms available in each of the prototype cars. STM personnel were on hand to evaluate the various tech-



The existing cars consist of 40 seats and can carry approximately 100 passengers. As, in the best-case scenario, the company will not be able to acquire new cars before 2008, it must find ways to maximize the number of places, increase the comfort of passengers and facilitate entries and exits. With this in mind, three MR-73 cars were reconfigured and put into service in June. Prototype A contains 34 seats and theoretically will provide 9% more space. Prototype B includes 40 seats and offers 5%

nical aspects and to respond to questions from customers. In November almost 700 people had sent in their comments, and the majority said that they were satisfied with the improvements resulting from the re-design, particularly with the greater ease of movement within the cars. If the results are conclusive, the STM will be able to select the most appropriate configuration and modify some or all of the MR-73 cars.



## The métro to Laval : it's on its way

On March 18 the premier of Quebec, Bernard Landry, turned the sod to inaugurate the construction work for the extension of line 2-orange to Laval. Valued at \$ 345M, the project is 100% financed by the Quebec Transport Department and calls for the installation of three stations on Laval territory: Cartier, de la Concorde and Montmorency. The start-up of service is planned for 2006 and will enable the STM to serve the north shore more effectively, improve the traffic flow between Laval and Montreal while helping to reduce congestion in the heart of the city.



## Crime in the métro continues to go down

Thanks to actions targeted at maintaining public order in public transit, the number of crimes against a person in the métro system has decreased by 45% in two years, while the number of crimes of the same type has remained relatively stable on the territory of the city of Montreal.



To draw up its strategy, the company first mandated the School of Criminology at the Université de Montréal to carry out a comparative study on the risk of victimization in the system. It then consulted other transit organizations including AITP, APTA, CUTA, RATP in Paris, the TTC in Toronto, the MTA in New York, the MBTA in Boston and SYTRAL in Lyon, to get a

sense of the range of strategies employed elsewhere for maintaining public order and the results obtained. In light of the information gathered, the STM established the objectives to be achieved, the measures to be implemented, and the division of responsibilities and determined the various axes of implementation. Actions were organized according to the five following components: a preventative presence and intervention, the partnership, tele-protection, architectural redesign and public relations. Four indices were identified to measure the results: personal victimization, service interruptions lasting more than five minutes, the level of customer satisfaction/security, and complaints and comments from customers.

The positive results demonstrate that company involvement is a powerful tool that makes the city a good place to live for its citizens, particularly in the case of public transit.

## Fewer doors being held open

In January 2001 the STM launched an awareness campaign targeted at métro customers to reduce the interruptions in service caused by holding open the car doors. Each time a door is held open, the departure of the train is delayed from a few sec-



onds to a few minutes, thus creating a domino effect that affects the whole line. Cumulatively, these delays represented almost 30 hours per year, a fact that pushed the company to undertake this campaign in order to provide a more reliable service. All the car doors display a pictogram illustrating that it is forbidden to hold open the doors and advising clients of the fines associated with this behaviour. In addition, messages are included regularly on the electronic displays in the cars and on the Info STM page of the Métro paper. Surveillance agents are also present at strategic locations and times. This operation is bearing fruit as a constant reduction in this phenomenon has been observed since the start of the campaign. In 2002, 420 incidents were recorded compared to 617 in 2000, and the number of minutes that service was interrupted due to the doors being held open went down from 2,342 in 2000 to 1,581 in 2002.



## The métro system consists of:

**4 lines totalling 66 km of track and serving 65 stations**

**Fleet: 759 cars including 336 MR-63 cars and 423 MR-73 cars**

### Kilometres travelled

58,498,610

### Busiest stations (Annual ridership)

McGill	11,545,037 entries
Berri-UQAM	11,289,226 entries
Henri-Bourassa	8,226,211 entries
Guy-Concordia	7,218,966 entries
Longueuil	7,033,360 entries

### Busiest day

Friday, November 29 with 820,118 entries

### Reliability

Number of incidents lasting 5 minutes or more

Cause	2001	2002	%
Rolling stock	264	220	-16.7
Fixed equipment	50	52	4
Crimes, illnesses	432	434	0.5
Train operation	37	62	67.6
Various	8	9	12.5
External causes	16	28	75
All causes	807	805	-0.2

### Punctuality (norm : 0 to 4 min.) : 98% of clients arrive on time

Number of trips delayed by more than 4 minutes\*

Cause	2001	2002	%
Rolling stock	1,667,076	1,407,128	-15.6
Fixed equipment	378,496	296,682	-21.6
Crimes, illnesses	2,209,872	2,585,465	17
Train operation	165,943	313,120	88.7
Various	57,642	35,876	-37.8
External causes	160,906	233,927	45.4
All causes	4,639,935	4,872,198	5

\* When reading this chart it must be taken into account that the métro handled more than 219.3 million trips in 2002.

## Finances

### Taking care of fare collection

In April the Board of Directors approved a loan by-law for \$ 101.7M to finance an automated fare purchase and collection system in the bus-métro network. The company based the need for replacing the

the some 500 agencies that sell these tickets from terminals.

Thanks to the recovery of 70% of the sums lost per year with the present system, the investment should pay for itself in five years.



system on the following three factors: the existing equipment is obsolete (certain boxes in the buses date from 1905); the system is extremely vulnerable to theft and fraud; and servicing and harmonizing the system is costly and inefficient.

The loss of income due to the present system is estimated at between \$ 20M and \$ 25M per year. To alleviate the problem, the company chose a solution based on the issuance of a proof of payment that customers would have to keep throughout their trip. To implement the system, the company will give priority to the automation of the sale and collection of fares while maintaining the existing fare framework using an integrated transfer system. Then, towards the end of 2004, it will opt for the introduction of the contactless smart card, already in place in Chicago and France, which will be able to support all the fare types. To accommodate this technology, the STM will have to replace its 1,597 collection boxes in the buses as well as its 425 turnstiles in the métro. In addition, it plans to install 130 ticket dispensers in the métro stations and equip

### The results of rigorous management

At the beginning of May the company deposited its 2001 Financial Statements. They reflected a surplus of revenues over expenditures of \$16M, slightly more than the amount counted on to balance the 2002 budget. These results are attributable primarily to the rigorous management of expenditures and to the increase of more than \$ 14M in passenger revenue, evidence of a 2.1% increase in ridership, higher than that registered in 2000. These results were achieved despite the fact that the Agence métropolitaine de transport did not pay the full amount that it should have to the Société for metropolitan trips carried out on its territory, representing a loss of income of \$ 3.5M. They also reflect the efforts expended by the MUC municipalities to promote public transit, with their agreement to increase their contribution to \$ 236.6M, \$ 5M more than in 2000.

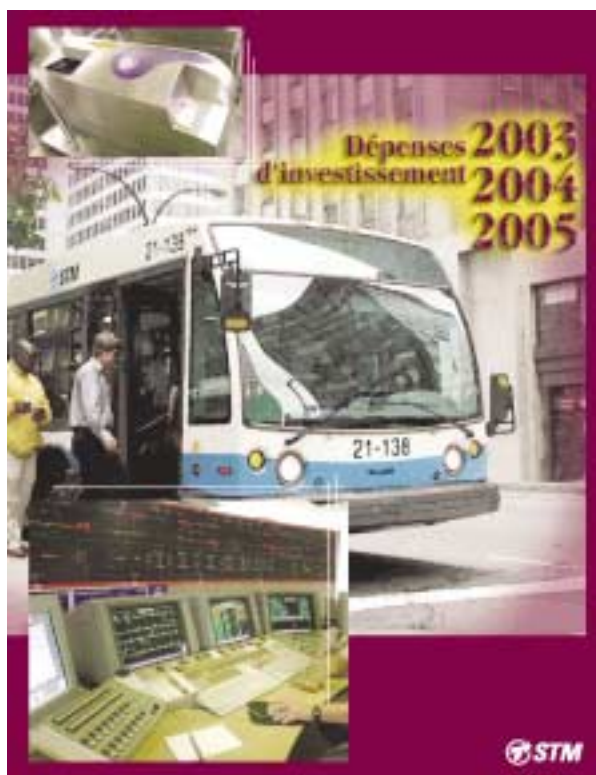
It should also be noted that the credit ratings accorded to the company were maintained. The Dominion Bond Rating Service gave it an A "High" rating, while Standard & Poor's assigned it an A+ rating.



## Necessary investments

The 2003-2005 triennial investment programme was deposited at the end of November. The company plans to invest \$ 860.2M in the maintenance and renewal of its assets, \$ 776M for major projects and \$ 84.2M for the periodic major maintenance of its equipment.

programme (\$ 43.4M). Thus, the Société will have invested \$ 629.7M in its heritage since 1995 at an average rate of \$ 78.7M per year. It will, however, have to increase its investments in the coming years to deal with the challenges posed by the ageing of its equipment and infrastructure, for which the replacement value is estimated at more than 5.5 billion dollars.



The planned sums will be used for, among other things, the financing of the programme for the maintenance of fixed equipment in the métro, known as Réno-Systèmes (\$ 271M), the replacement of buses and urban minibuses (\$ 172M), the purchase and implementation of the new fare purchase and collection system (\$ 94.5M), the relocation of the Saint-Denis transportation centre (\$ 50.9M) and phase two of the métro station renovation

## A better price for diesel

To protect itself against possible fluctuations in the price of fuel, the STM negotiated an agreement with a financial institution in September 2001 to set the price of diesel until December 2003. Thanks to this transaction, known as a fuel swap in the financial world, the company benefited from an average price of 49.78 ¢ per litre for diesel in 2002 (including taxes and discounts). This resulted in an invoice for approximately \$ 23M for the some 46 million litres that it purchased during the year. This financial instrument enabled the company to make a balanced budget projection and avoid unpleasant surprises.

## The Carte Privilège, a major success



In 2002, at the request of the city of Montreal, the STM introduced the Carte Privilège, giving full-time students aged 18 to 25 a reduction of 50% on the cost of their monthly pass, a saving of \$ 300 per year. This measure was implemented at a cost of \$ 19M and was financed, in part, by the city of Montreal (\$ 7.5M). It was such a success that sales forecasts were exceeded, with more than 70,000 students purchasing the Carte Privilège.

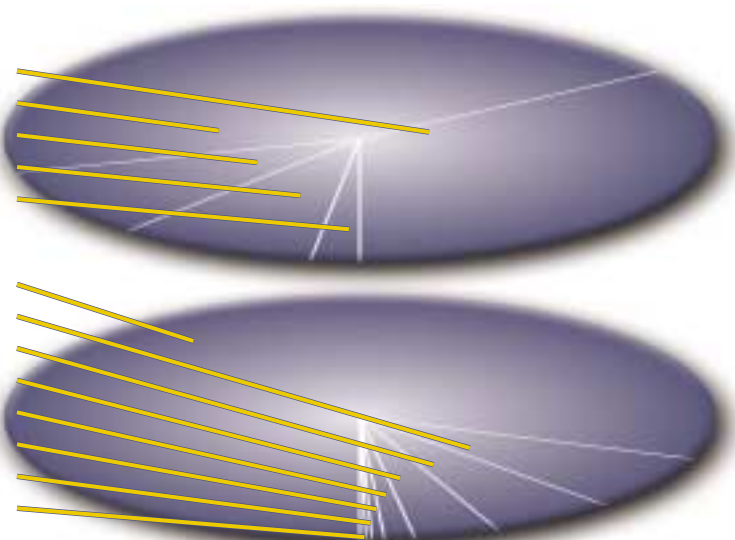
## The STM's numbers

### Revenue (in thousands of dollars)

Contribution from the city of Montreal	244,100
Passengers	321,871
Miscellaneous contributions	65,931
Subsidies from the Quebec government	65,388
Other	14,839

### Expenditures (in thousands of dollars)

Buses and métro	576,873
Debt servicing and financing	52,004
Sinking funds	41,408
Paratransit	27,689
Asset maintenance	11,174
Transfer to the statement of investment activities	2,293
Transfer to working capital	2,210
Unforeseen expenses	1,625



### Fare grid

	1998	1999	2000	2001	2002
<b>CAM</b>					
Regular fare	\$ 45	\$ 46	\$ 47	\$ 48.50	\$ 50
Reduced fare	\$ 19	\$ 19.50	\$ 20	\$ 22.50	\$ 25
<b>Weekly CAM</b>					
Regular fare	\$ 12	\$ 12.25	\$ 12.50	\$ 13.50	\$ 14
Reduced fare	\$ 6	\$ 6.25	\$ 6.50	\$ 6.75	\$ 7
<b>Strip of six tickets</b>					
Regular fare	\$ 8	\$ 8.25	\$ 8.25	\$ 8.50	\$ 9
Reduced fare	\$ 4	\$ 4.25	\$ 4.25	\$ 4.25	\$ 4.50
<b>Cash</b>					
Regular fare	\$ 1.85	\$ 1.90	\$ 2	\$ 2	\$ 2.25
Reduced fare	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1.25
<b>Tourist Card</b>					
1-day	\$ 5	\$ 5	\$ 7	\$ 7	\$ 7
3-day	\$ 12	\$ 12	\$ 14	\$ 14	\$ 14

### Sales of fares

Fare	Regular fare	Reduced fare
CAM	2 million	1.6 million
Weekly CAM	2.5 million	0.3 million
Tickets	38.8 million	13 million
Cash	21.6 million	2.7 million
<b>Tourist Card</b>		
1-day	49,991	
3-day	33,775	

### Ridership (in millions)

	2000	2001	2002
Buses and métro	347.8	354.9	363.2
Paratransit only	1.26	1.28	1.35
<b>Total</b>	<b>349.06</b>	<b>356.18</b>	<b>364.55</b>



## Human Resources

### New momentum for the equal access plan

The coming into effect of Law 143 gave a second wind to the STM's equal access plan, implemented in 1987.

This law obliges public companies to set hiring objectives for the following four target groups : women, aboriginals, visible minorities and ethnic minorities whose mother tongue is other than French or English. With a good head start in this area thanks to its equal access plan, the company elected to conform to the law by ensuring representation of these four groups within its workforce. To achieve this, an extensive census operation was launched internally to identify the proportion of employees belonging to these groups and to adjust the hiring objectives accordingly.

### Wage equity

The wage equity committees, with the exception of the committee for office employees, have finished their work. The latter is at the third stage which consists of evaluating and comparing the work categories and estimating and calculating the salary gaps, if applicable. All that will be left to do is to determine the method of payment for the eventual salary adjustments in the predominantly female employment categories.

### eLearning, the future of training

A pilot project for on-line training relating to putting a bus into service was set up to validate the working hypotheses regarding

the eventual implementation of on-line training at the STM. Through this prototype, the company would like to determine if on-line training would enable it to reduce the time required for theoretical training by 50% and improve the rate of information retention by at least 25%. The firm Tecsalt Éduplus has been retained to design the media-based course. Delivery of the on-line training

will be carried out under the direction of the STM project leader using a research protocol sponsored by two researchers from UQAM.



### Dealing with retirement

Like many companies in Quebec and elsewhere, the STM is facing a major challenge resulting, in part, from the ageing of the population : massive replacement of the workforce. In fact, between now and 2008, more than one-third of employees will be eligible for retirement. A plan was therefore put in place to ensure maximum effectiveness in the renewal of the workforce. Within the framework of this plan, profiles of skills to look for among candidates were established, and managers will receive specific training on planning for and training the future replacements.

In addition, in order to develop and perfect the skills of its managers, the company has joined up with two educational institutions to set up programmes designed specially for them. FAC (Formation adaptée aux cadres), designed for second and third-level managers, had its debut in April with the signing of a three-year partnership agreement with UQAM's School of Sciences and Management. In the case of first-level managers, a three-year agreement with the Collège de Bois-de-Boulogne led to the set-up of the Compétences+ programme for 2003. These are educational institutions providing complete training that is, in great part, exclusive to employees of the STM.

## Personnel eligible for retirement (today to 2008) by job group

Job group	Now	2003	2004	2005	2006	2007	2008	Total
Operations managers	37	22	24	26	22	17	10	158
Divisional clerks	4	5	11	10	13	11	7	61
Managers	16	9	12	11	12	10	9	79
Unionized professionals	8	2	8	6	3	7	7	41
Non-unionized professionals	4	2	4	5	1	3	8	27
Supervisors	9	4	9	13	5	4	4	48
Surveillance agents	3	4	5	6	2	8	11	39
Administrative personnel	33	30	35	37	35	23	28	221
Drivers, operators, fare collectors	431	216	224	226	172	170	164	1,603
Maintenance employees	144	121	122	106	108	73	87	761
Total	689	415	454	446	373	326	335	3,038

### Bus driver training revised and improved

Since January 2002, new bus drivers have benefited from revised and improved training spread out over 22 days instead of 18. The company has gone from the old system based on the demonstration-application principle to a new problem-solving method that provides for integrated rather than memory-based training.

The STM called on CRAIE (Centre de recherche appliquée en instrumentation de l'enseignement) as a consultant to help it develop this new educational strategy. It was financed by Emploi-Québec, through Camo-Route, which hopes to expand this basic training to all bus drivers working in the urban environment in Quebec.

This new training will respond more effectively to the operational requirements of the bus system and to the needs expressed by the new bus drivers. It was designed around the 21 tasks carried out by the drivers that have been translated into skills to be acquired. Interaction with passengers occupies a key place in this new training, with a day-and-a-half devoted entirely to this subject. At their evaluation, the student drivers are judged not only on their bus driving abilities but also on their attitude and behaviour.

### Work-study programme for heavy vehicles

Concerned about workforce replacement in the area of diesel mechanics, the STM set up an 18-month work-study programme in collaboration with the

vided the school with two buses as well as mechanical parts. The programme is continuing, and a second group of students will graduate in February 2003. An ideal pool from which to draw future employees!



Montreal School Commission, Camo-Route, Emploi-Québec and other transit companies (STL, RTL, Transports Galland). This programme, which began in 2000 at the École des métiers d'équipement motorisé de Montréal, issued its first diplomas in February 2002. The 15 graduates received an additional 280 hours of training to familiarize them with the bus, a very specialized heavy vehicle. Training was completed with a seven-week internship that most of the students carried out at the STM. In addition to welcoming the interns, the STM pro-



## If you like people, get on board!

The STM had an information booth at the Salon Emploi et formation that took place at the Palais des congrès on March 26 and 27. Under the theme "Si vous aimez le monde, embarquez!", employees from the Human Resources planning, staffing and training department made visitors aware of the career possibilities at the STM. The stand, featuring a bus and a métro truck, attracted many curious participants. More than 400 curriculum vitae were collected and in excess of 2,000 job application forms were distributed.



On November 28 another recruitment event was held, this time in the Berri-UQAM métro station. Its objective was to make métro clients aware of job offerings at the STM, to recruit potential candidates and to promote the equal access programme. Thus, women and people belonging to visible minorities were particularly targeted. STM personnel met with more than 2,000 people who came by for information and who were interested in the company's various trades and professions.

## Countering violence in the workplace

In 2001 the STM adopted a new policy, Respect de l'intégrité physique et psychologique de la personne, aimed at countering harassment and violence in the work environment. A campaign encompassing several actions was undertaken internally to make managers and employees aware of their responsibilities in this area and of the measures to which they have recourse, in particular the ability to appeal to the ombudsman.

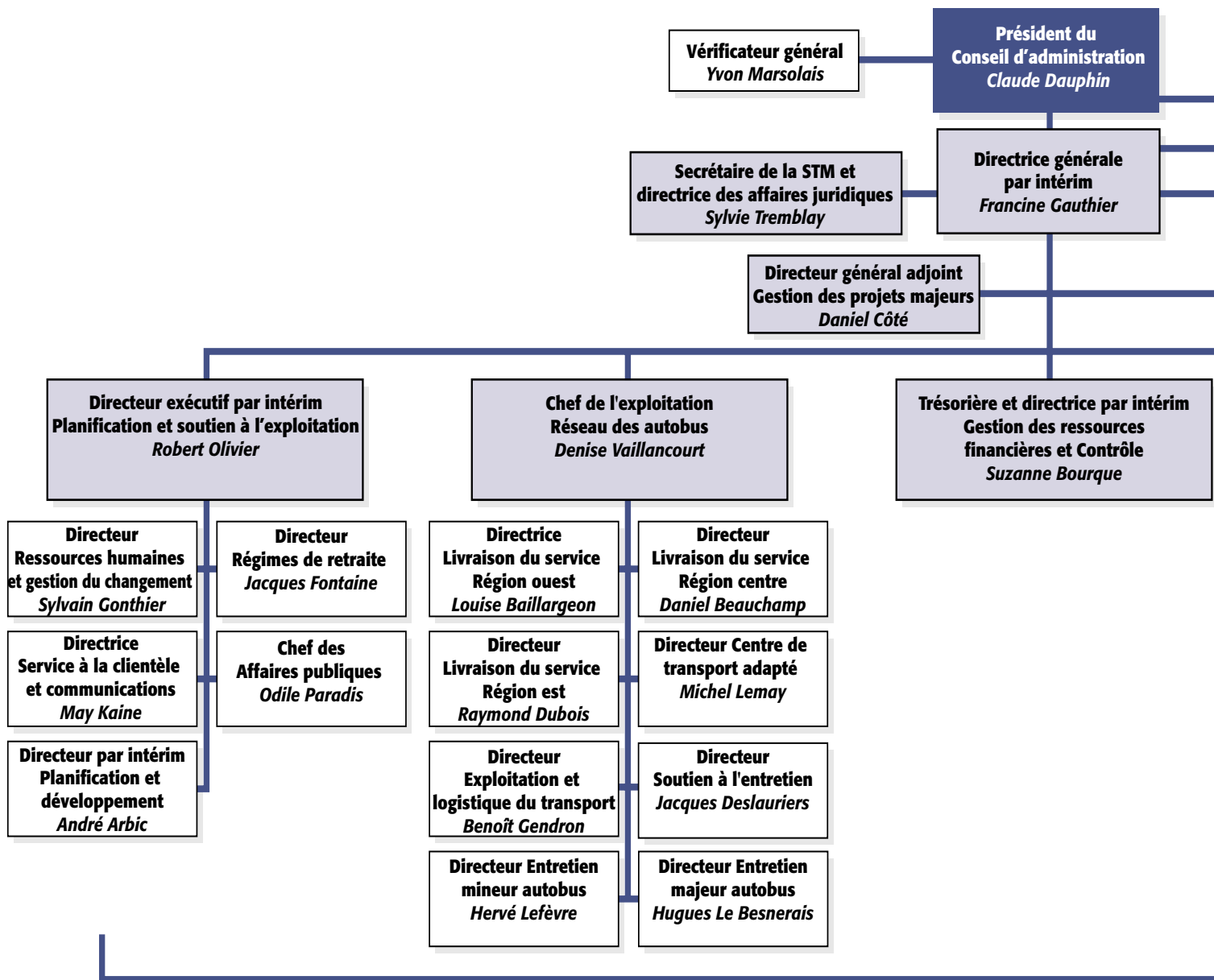


The STM, in setting up this campaign, anticipated the adoption by the Quebec government of Law 143 in December 2002. This law provides recourse for the victims of psychological harassment in the workplace. Far from denying the conflicts existing within its walls, company management had the courage to admit to the existence of problems and to take the necessary steps to expose them and to encourage its personnel to act and

to express themselves. A survey conducted in June 2002 revealed that the campaign had borne fruit with 90% of respondents claiming to be aware of the policy, compared to 64% in 2001. In addition, while 27% of employees had said that they were aware of the ombudsman in 2001, this number had climbed to 44% in 2002. Managers were often the victims of or witnesses to physical, verbal or psychological violence in 2002 (21% versus 31% in 2001). As for the employees, the number of cases of violence that they reported to the ombudsman doubled in a single year, proof that they had become aware of the problem and now knew how to find help.

# Management structure

(At December 31, 2002)



**7,305 employees in support of the company**



**Adjoint au président  
et à la directrice générale**  
*Jean-Michel Lévesque*

**Adjointe à la directrice générale**  
*Manon Desautels*

**Protectrice de la personne**  
*Lorraine Pilon*

**Chef de l'exploitation  
Réseau du métro**  
*Carl Desrosiers*

**Directeur exécutif  
Gestion des ressources  
informationnelles et matérielles**  
*Richard Ayoup*

**Directeur  
Exploitation des trains**  
*Marcel Grégoire*

**Directeur  
Exploitation des  
stations et surveillance**  
*Serge Dupont*

**Directrice  
Gestion du patrimoine**  
*Liette Vinet*

**Directeur  
Approvisionnement**  
*Pierre Rocray*

**Directeur  
Entretien des  
équipements fixes**  
*Yvon Lamy*

**Directeur  
Entretien du  
matériel roulant**  
*André Poisson*

**Directrice  
Technologies de  
l'information**  
*Marielle Fournier*

**Directeur  
Ingénierie métro**  
*Dominique Lemay*

 **Members of the direction committee**

## The workforce at December 31, 2002

	2000	2001	2002
<b>Sector of activity</b>			
Upper level operations management	297	302	298
Supervisors	116	117	118
Managers	167	167	185
Non-unionized professionals and office workers	96	89	82
Unionized professionals	184	186	194
Divisional clerks	185	182	182
Surveillance agents	146	148	153
Unionized office workers	592	590	606
Drivers, operators and employees in related services	3,617	3,604	3,585
Maintenance employees	1,869	1,861	1,902
<b>Total</b>	<b>7,269</b>	<b>7,246</b>	<b>7,305</b>

### Representation of women

Women form more than 17% of the workforce.

### Representation of visible and ethnic minorities

Ethnic and visible minorities make up 8% of the workforce.

### Average age of employees

45.7 years old

### Average years of service

15.9 years

### Hiring

459 people were hired in 2002 including 182 permanent employees.

### Eligibility for retirement

781 employees were eligible for retirement at the end of 2002.

## Unions and associations

Syndicat des chauffeurs d'autobus, opérateurs de métro et employés des services connexes au transport de la STM  
(local section 1983 - SCFP)

Syndicat du transport de Montréal (maintenance employees - CSN)

Syndicat du personnel administratif, technique et professionnel du transport en commun, SCFP 2850 - FTQ

Syndicat des travailleuses et travailleurs de la STM - CSN

Fraternité des constables et agents de la paix de la STM

Syndicat des professionnelles et professionnels de la STM

Association des chefs d'opérations - Bus system

Association des chefs d'opérations - Métro system

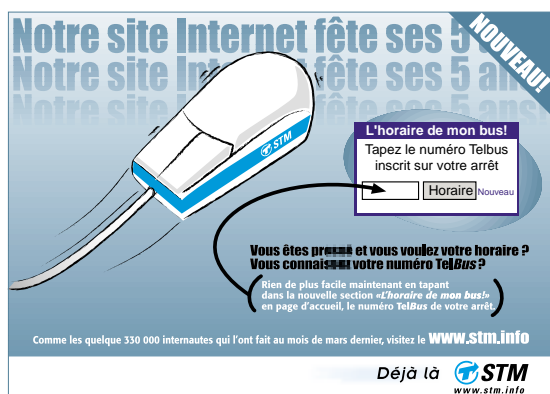
Association des contremaîtres

Association des cadres et des professionnels de la STM

## Customer information

### The Web site is five years old

On April 17, 1997, the STM (then the STCUM) launched its brand new Web site. Success came quickly, and five years later, it's still going strong. The number of visitors has gone from a few hundred a day to some 12,000 on weekdays. In 2002, the site registered 4,358,273 visits. The most frequented sections are the trip calculator, Tous azimuts, the bus schedules, the map of the métro and the pages featuring the métro stations.



To celebrate this anniversary, two new features have been added: an on-line map of the system and the ability to ask questions directly on the home page. Over the course of the year, other improvements were introduced including a section on the history of Montreal tramways, the daily Info STM page from the Métro paper and the ability to obtain the bus schedule at a particular stop by calling the TELBUS number directly from the home page.

### Network map in the bus shelters

The number one customer information tool is without doubt the system map. It offers several advantages including showing the STM's service offer and providing all sorts of useful information for trips by bus and métro. This is why the STM took the initiative of posting the map in more than 1,000 bus shelters, with the collaboration of the owner of these shelters. Clients can now be sheltered from the weather when consulting the map and in addition have access to the schedules for two lines serving the stop in question.



### The SALSA project



The objective of the SALSA project (SAEIC — Système d'aide à l'exploitation et information à la clientèle — phase 1) is the integration of system planning and service in order to provide more consistent information to customers regarding bus lines and schedules. The evolution of the current systems has, in effect, resulted in distinct information pockets. These will be integrated into a single system that will encourage exchanges between employees working in such areas as information technology, transportation logistics, planning and development or even customer service and communications. Each will be able to benefit from the knowledge and expertise of colleagues from other sectors. This effort marks an important step in the area of the quality of service provided to customers and will certainly contribute to increasing the level of satisfaction.

This project, terminating in April 2004 with the arrival of a new corporate system for handling comments and complaints, has primarily dealt with the implementation of procedures and computer modules that will provide better integration of the system and schedules. Information delivered to customers via Planibus, Infobus, TELBUS and the Internet site will thus be

more accurate and more reliable. Partnership agreements were signed with the firm GIRO and Groupe MADITUC of École Polytechnique to develop the necessary software.

### The Métro paper

Launched in March 2001, the Métro daily is distributed free to customers in the 65 stations of the métro system. It is an excellent communications tool for the STM as the company can take advantage of a page in the paper to reach its clients directly five days a week. In 2002, 248 Info STM pages were published achieving an average satisfaction level of 75%, including 83.02% in October.

## Web site

4,358,273 visitors, an increase of 34%.

## TELBUS

16,437,980 calls, an average of 45,000 per day, representing an increase of 14% in comparison with 2001. On Good Friday, March 29, the system established an all-time record when it responded to 60,104 calls, including 3,757 during the lunch hour period.

1998	<b>9,957,392</b>
1999	<b>10,795,550</b>
2000	<b>11,840,496</b>
2001	<b>14,079,639</b>
2002	<b>16,437,980</b>

## Planibus

More than five million of these folders are distributed to customers per year, 1,294,575 with each of the four bus schedule changes.

## Infobus

Some 4,500 of these bus schedules are posted at strategic bus stops, in the métro stations and in certain bus shelters. The Infobus posters change four times per year.

## A-U-T-O-B-U-S information centre

Agents responded to 479,785 or 19% of the 2,519,636 calls received. The remaining calls were handled by the automated voice response system.

## Comments and complaints

(received by telephone, mail or via the Internet)

2000	<b>19,481</b>
2001	<b>18,878</b>
2002	<b>17,802</b>

## Media relations

A total of 90 press releases were issued. 15 press conferences were held, and more than 1,200 interviews were granted. More than one hundred film shoots were also authorized in our installations, for the media as well as for films and commercials.



## Communication campaigns

### Reporting helps

**O**n February 6, in collaboration with Suicide-Action Montréal, the STM launched an avant-garde awareness campaign to prevent suicide attempts in the métro. Through the use of posters installed on the platforms and in the métro cars, customers were asked to use the red telephones located in the "Assistance" areas on the platforms to report people who were showing signs of distress. Following on the heels of an awareness campaign among employees the previous year, this campaign was a first, in the sense that no other subway system had up to then asked for the collaboration of its employees and clientele in the prevention of suicide attempts.

Working on the prevention of suicide attempts in the métro is not something new for the STM. While at the start of the 1990s, between 40 and 50 attempts were being made per year, the numerous actions undertaken have brought this number down to around 25 to 30. This reduction is even more significant in that it took place in a context where the number of suicides in Quebec is constantly on the rise. By asking the some 350,000 clients who use the métro daily to report a person who shows signs of distress, the STM is very clearly showing its willingness to work to reduce these violent acts that too often turn into a human drama for the surviving victims, for those close to them and for clients and employees who witness the event.

### Already there!

Why not use public transit to go to the sites of various major events taking place in Montreal. That's what the "Déjà là!" campaign promoted to Montrealers from June to November, in addition to promoting the reliability and speed of public transit. This campaign, the largest publicity

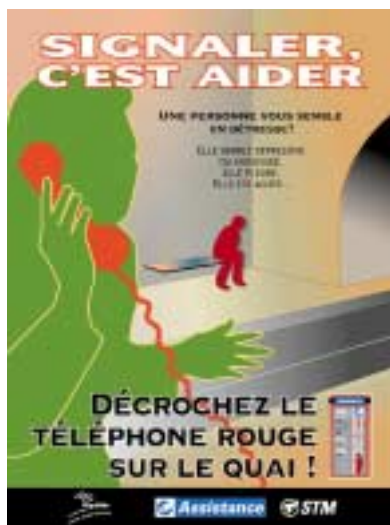
offensive by the STM in the past ten years, employed, among other tools, outdoor advertising and posters in the STM's system, on information stands and in the employee workplace. With a touch of humour, the posters reminded the population that public transit is a quick way to travel to destinations in the city. According

to a survey conducted by the STM, one client in four spontaneously identified this campaign and stated that they had a better perception of the company.

The STM took advantage of the occasion to set up information stands that were moved from one métro station to another from May to November. Clients could obtain information on services and share their comments, and company personnel had all the tools at their disposal to respond to their questions. Almost 20,000 clients stopped by the stands.

The launching of this campaign also provided the occasion for the official inauguration of the customer service centre at the Berri-UQAM station. At this location, situated at the heart of the

system, clients can consult an interactive terminal offering all sorts of useful information for travelling in Montreal as well as have access to a telephone line that provides a free link to information services from the Réseau de transport de Longueuil, the Société de transport de Laval and the Agence métropolitaine de transport. At this counter clients can also pick up Planibus folders, the system map and the metro map as well as obtain a refund for expired tickets or claim an object lost in the métro or in a bus.



## VIP campaign

For the first time, a communication campaign promoting public transit ran simultaneously throughout North America. In Quebec, under the theme "Le transport en commun - Vous irez loin", a message, developed by the Canadian Urban Transit Association (CUTA) in collaboration with the STM and the other transit companies across the province, was broadcast on Radio-Canada and RDI. Using the catchy words of the song "Pas besoin de frapper" by Jacques Michel, the message reminded the population, whether transit users or not, of the benefits that public transit offers to the entire community. At the same time, the other regions of Canada and the United States broadcast a similar message in English on several television networks.



## Thank you for your seat!

A pioneer in Quebec in the area of accessibility to public transit, the STM continued its efforts by launching the campaign

"Merci pour la place!" to promote accessibility to the system. Through the use of posters installed in the vehicles, this campaign was designed to, among other things, encourage customers to respect the reserved seat policy that sets aside two well-identified seats in every bus and métro car for people who have difficulty standing in a moving vehicle. Folders were also distributed to customers.

The STM also took advantage of the launching of this campaign to pay tribute to the Regroupement des usagers du transport adapté (RUTA) for its exceptional contribution to the improvement in accessibility in public transit. The STM could not have achieved the results it did without its invaluable contribution. Involved since the start of the implementation project for the low-floor buses and prominent partners during the testing, the contributors from RUTA demonstrated that through dialogue and participation things can be changed.



## Be careful!

Following the example of the Société de l'assurance automobile du Québec, the STM took advantage of the very busy back-to-school period to launch an awareness campaign to encourage caution on the part of customers using the bus system. The posters emphasized the importance of following the rules of road safety, as statistics show that serious accidents involving a bus and a pedestrian are primarily caused by the recklessness or absentmindedness of pedestrians.

Whether at intersections, terminuses or bus stops, the STM asked its clientele to be vigilant and to change risky behaviour. Two-thirds of clients questioned in a survey were aware of this campaign, and it was the message "Vaut mieux attendre le prochain autobus que l'ambulance" that most attracted their attention. Of the people who noticed this campaign, 49% said they had changed their behaviour when travelling on the bus. This campaign was obviously a success.



## Together, we'll go the distance

The lack of financing for public transit from the public authorities has made itself felt over the last ten years. The infrastructure, some of which dates to the 1960s, needs more and more maintenance when it does not need to be replaced altogether. For instance, the rupture of a water pipe in the métro on August 30 was a prime example of the urgent need to invest before other even more serious incidents occur. In the opinion of all the experts, public transit is the only solution for dealing with the problem of road congestion.

An information kit was developed, and during the latter months of the year, the STM met with more than 500 decision-makers to make them aware of the present and future investment needs: the Réno-Systèmes programme, the second phase of Réno-Métro, replacement of the MR-63 métro cars, replacement of the fare sales and collection system, etc. The company estimates its requirements for maintaining its infrastructure and equipment in a state of good repair at some 1.7 billion dollars.

To remain competitive and attract new clients, the STM must also improve its existing services and develop new ones. It plans to implement better service in the less well-served sectors of the island, offer more services in the industrial parks, implement preferential measures, increase the frequency of service and set up Métrobus and public taxi services. The company hopes to invest \$ 30M in this area over three years.

It is a known fact that the present sources of financing are insufficient to maintain, improve and develop the system. The STM has proposed the following to respond to the public transit financing problem:

- maintain the existing system assets and ensure their maintenance;
- increase the use of public transit;
- proceed with institutional changes;
- consider the métro as metropolitan equipment;
- evaluate the performance of the transit companies;
- stabilize public transit financing;
- introduce new sources of financing.

In principal, the new sources should come from car drivers who remain the major beneficiaries of public transit. They could come, for example, from taxes on parking, from tolls, from an increase in car registration costs or from taxes on gasoline.

Major cities around the world are facing the same financing problems. Several have resolved to invest in public transit and have adopted new methods of financing to enable them to deal with their requirements and make public transit a viable alternative to the automobile.

The time has come for Montreal to do the same.



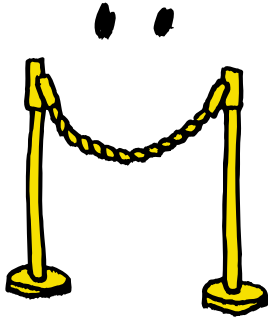


## Association with major events

### La Fête des neiges

The STM joined up with the Fête des neiges de Montréal for its 20th event. As the official transporter, the company provided a shuttle service on Saturdays and Sundays so that participants could travel more easily and comfortably on the event site. This celebration of winter activities takes place over three weekends and attracts some 180,000 Montrealers and tourists.

### Montreal Museum Day



Montreal Museum Day, a well-established tradition, could once again rely on STM vehicles to provide transportation for visitors to its 16th event. A fleet of 35 buses made up the free shuttle service. More than 90,000 visits were recorded over the day, and more than half the visitors used the STM service to make the tour.

### La Grande parade du canal

The STM had a ringside seat for the reopening of the Lachine canal to pleasure craft on May 25. As a major partner for the event, the company provided logistical support for both organizers and volunteers throughout the ten-kilometre route.

### BIOBUS and clean air

On Clean Air Day on June 5, a demo BIOBUS was present at Dorchester square. Those responsible



for the project answered questions from the public and distributed information on this important environmental project that will run until March 2003 from the Frontenac transportation centre. Organized by Transport 2000 Québec in partnership with several organizations, Clean Air Day is designed to make the population aware of the importance of air quality.

### A great effort for the Grand Prix

Each year, of all the special events with which the STM is associated, the Canadian Formula 1 Grand Prix, which takes place at the circuit Gilles-Villeneuve on Ile Notre-Dame, is certainly the most important for métro personnel. Every effort is made to assure the fluidity of the trips of the hundreds of thousands travelling to the site during the three days of competition. The frequency of the trains on line 4-yellow is increased to the maximum while service on the other lines is adjusted according to the demand. Additional personnel are present in the system and on the site to ensure that everything runs smoothly for customers. A new attendance record was set in 2002 when 427,956 people used the yellow line on Saturday, June 8 and Sunday, June 9, an increase of 14,148 trips from 2001.





## A quick trip to the stadium

For a fifth consecutive year the STM concluded an agreement with the Montreal Alouettes to offer a free shuttle service to transport football fans to the Percival-Molson stadium, the site of the team's local games. In 2002, 83,410 people used this service that links the stadium with the Square-Victoria and Bonaventure métro stations. More than ever, sports fans chose public transit for its speed and efficiency.



## International Youth Day

In July more than 10,000 young pilgrims travelling to World Youth Day in Toronto passed through Montreal. On this occasion, the STM provided them with free public transit to facilitate their travel in the greater metropolitan area and their participation in the numerous activities organised to welcome them.

## Still a part of the Fête des enfants

For a fourth consecutive year, the STM assumed the role of official transporter for the Fête des enfants de Montréal. Over the two days of the event, in addition to providing a free shuttle service on the site, the company provided free service throughout the



system for families who had obtained a free pass in local newspapers. Employees

were once again present at the STM stand, and many youngsters came by to find out more about public transit and the BIOBUS and to meet Urbain, the STM's friendly mascot. More than 160,000 people participated in this weekend dedicated to the children.

## And even more...

Whether by facilitating participants' travel, welcoming activities in its installations, publicizing events on its Info STM page in the Métro paper or in its vehicles, or even through the presence of speakers, the STM

was also involved in Action Week Against Racism, the Défi sportif for athletes with a disability, World Book Day, Montreal Open Houses, the Commerce Design Montréal competition, the Jeune fonctionnaire d'un jour programme, the International Forum on Urban Mobility and Advanced Transportation, the International Seminar on Women's Safety: "Making the Links", among others.



## Social commitment

### The good deeds of employees

In November more than fifty employees collected money in ten métro stations to aid underprivileged families. More than \$ 56,000 was raised and was used to provide Christmas baskets for some 100 families. More than 300 employees acted as volunteers to deliver these baskets before the end-of-year celebrations.

### Annual fund-raising



For a seventh consecutive year, the company held a fund-raising campaign in November, joined by a fourth beneficiary, Partenairesanté-Québec. Once again, a record was established with \$ 417,632.59 being collected, an increase of more than \$ 53,000 from 2001. Furthermore, current and retired employees truly proved their generosity of spirit by surpassing the set objective of \$ 67,000. The sum collected was divided among the following four organizations : \$ 96,281.68 to Centraide, \$ 69,920.08 to the Red Cross, \$ 62,583.42 to Partenairesanté-Québec and \$ 188,847.41 to Réchaud Bus.

### Heroes among the employees

On January 9 the Director-General presented five employees with certificates of recognition for acts of bravery or public spiritedness. These individuals performed acts that, in their own minds, were very ordinary, but that made a world of difference to those who benefited from them. The recipients were : Clément Levert, a



driver with Paratransit, Jean-Paul Anglehart, terminus chief in the métro system, Sylvie Aubuchon, fare collector, Denis Gagné, a bus driver, and Robert Saulnier, also a bus driver.

### Seven years of helping hungry children

In 1995 a small group of current and retired company employees, sensitive to the problem of hunger among young people, had the idea of transforming an old bus into a mobile canteen, and the Réchaud Bus was born. Today, some one hundred volunteers from among current and retired employees form the Réchaud Bus team and distribute hot meals to their young clientele throughout the city. Each week, this mobile canteen makes three or four outings to various sectors, designated in conjunction with local organizations. More than 75 young people thus benefit from a good meal and a warm welcome from these volunteers. Always tuned to the needs of young people, those responsible for Réchaud Bus undertook to supplement their activities with

visits to 22 primary schools in underprivileged areas. There, they distributed fruit, cereal, milk, chewy bars and sometimes complete meals. The STM encourages the humanitarian actions of these current and retired employees by including Réchaud Bus among the organizations

that benefit from its annual fund-raising campaign.

### Dear Urbain

Urbain, the STM's mascot, likes to get involved with children, particularly in support of humanitarian causes. Thus he happily participated in the inauguration of the library at Camp Papillon (a holiday camp for disabled children), at Leucan's Christmas Party, at the Défi sportif for disabled athletes, at the Fête des enfants de Montréal, at the Semaine de l'enfant at Hôpital Sainte-Justine, etc. This kind spokesperson who doesn't say a word, is public transit's favoured ambassador among its clientele of tomorrow.



## International cooperation

In September 2000 the STM signed a three-year memorandum of cooperation with the Régie autonome des transports parisiens (RATP). Its purpose is to exchange ideas on the way of doing things and to stimulate mutual successes for the two companies.

Up to the present time, the protocol has provided for the exchange of information in numerous areas : regional organization of transportation, bus and métro operations, customer service, maintenance of métro tunnels... not to mention Paratransit, a subject that greatly interests RATP and on its own resulted in three visits from RATP representatives. The renovation of the Guimard entranceway at the Square-Victoria métro station is another concrete example of this cooperation. Once the renovations undertaken with the help of RATP and the Quartier international de Montréal have been completed, it will be identical to those found in Paris. A technician from RATP was on site at the end of the year to ensure the conformity of the work.







# Financial Statements

At December 31, 2002



## Table of contents

AUDITORS' REPORT .....	35
FINANCIAL STATEMENTS	
Statement of financial activities .....	36
Statement of investment activities .....	37
Balance sheet .....	38
Statement of accumulated surplus .....	39
Statement of reserved funds .....	40
Statement of net investment in long-term assets .....	41
Statement of changes in financial position .....	42
Notes to financial statements .....	43

## Auditors' report

### To the members of the Board of Directors of the Société de transport de Montréal

**W**e have audited the balance sheet of the Société de transport de Montréal as at December 31, 2002, and the statements of financial activities, investment activities, accumulated surplus, reserved funds, net investment in long-term assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Société's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted Canadian auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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 financial statements present fairly, in all material respects, the financial position of the Société as at December 31, 2002, and the results of its operations and changes in financial position for the year then ended in accordance with generally accepted principles in municipal accounting in Quebec.



Raymond Chabot Grant Thornton  
General Partnership

Montreal  
March 10, 2003



Michel Doyon, CA  
City of Montreal Auditor

Montreal  
March 10, 2003

# Statement of financial activities

for the year ended December 31, 2002

(in thousands of dollars)

	Budget	2002	2001
<b>REVENUE</b>			
Passengers (note 3)	312,927	321,871	318,265
Contribution from the city of Montreal (municipalities on the territory of the MUC in 2001)	244,100	244,100	236,600
Government of Quebec subsidies (note 4)	70,566	65,388	63,938
Contributions from the Agence métropolitaine de transport (note 5)	64,668	64,170	61,716
Contribution from the Réseau de transport de Longueuil (from the Société de transport de la Rive-Sud de Montréal in 2001) (note 6)	1,895	1,761	1,844
Other revenue (note 7)	15,544	14,839	16,843
	<b>709,700</b>	<b>712,129</b>	<b>699,206</b>
Revenue from a third party relating to investment activities	4,150	1,762	3,595
Revenue on sinking fund investments	3,193	5,772	5,628
	<b>717,043</b>	<b>719,663</b>	<b>708,429</b>
<b>EXPENDITURES</b>			
Bus and métro service	578,723	576,873	554,542
Paratransit service	26,748	27,689	26,243
Interest and financing costs (note 8)	37,763	33,295	33,814
Unforeseen expenditures	5,296	1,625	1,024
Assets maintenance	11,750	11,174	11,681
	<b>660,280</b>	<b>650,656</b>	<b>627,304</b>
<b>OTHER FINANCIAL ACTIVITIES</b>			
Repayment of long-term debt (note 9)	29,959	29,959	57,828
Transfer to statement of investment activities (note 10)	7,967	4,055	6,100
	<b>37,926</b>	<b>34,014</b>	<b>63,928</b>
	<b>698,206</b>	<b>684,670</b>	<b>691,232</b>
<b>SURPLUS FROM FINANCIAL ACTIVITIES BEFORE APPROPRIATIONS</b>	<b>18,837</b>	<b>34,993</b>	<b>17,197</b>
<b>APPROPRIATIONS</b>			
Accumulated surplus from the previous year appropriated to the current year	<b>15,800</b>	<b>15,962</b>	<b>9,134</b>
Reserved funds			
Contribution to sinking fund and working capital	(45,887)	(49,390)	(47,935)
Use of sinking fund	11,250	11,250	37,566
	<b>(34,637)</b>	<b>(38,140)</b>	<b>(10,369)</b>
<b>SURPLUS FOR YEAR</b>	<b>—</b>	<b>12,815</b>	<b>15,962</b>

Commitments (note 20)

Contingencies (note 22)



# Statement of investment activities

for the year ended December 31, 2002

(in thousands of dollars)

	2002	2001
<b>SOURCES OF FINANCING</b>		
Long-term loan issued	86,470	60,000
Transfer from financial activities (note 10)	4,055	6,100
Working capital	2,117	1,400
	<u>92,642</u>	<u>67,500</u>
<b>INVESTMENT EXPENDITURES</b>		
Buildings	227	3,260
Initial system and métro extensions	—	2,204
Improvements to métro infrastructure	5,205	8,468
Rolling stock - buses	45,295	24,500
Rolling stock - minibuses	1,218	—
Rolling stock - other	1,668	1,796
Office equipment and software	5,736	5,026
Machinery, tools and equipment	330	717
Capital assets in progress	64,288	4,233
	<u>123,967</u>	<u>50,204</u>
<b>Overfinancing (underfinancing) for year <sup>(a)</sup></b>	<u>(31,325)</u>	<u>17,296</u>

(a) The overfinancing (underfinancing) for the year is carried over to the statement of reserved funds.

# Balance sheet

at December 31, 2002

(in thousands of dollars)

	2002	2001
<b>ASSETS</b>		
<b>Short-term assets</b>		
Cash	3,516	7,313
Deposit certificates, at cost	—	9,839
Restricted investments in the sinking fund (note 11)	32,908	7,630
Government of Quebec subsidies receivable (note 12)	6,585	13,498
Contributions receivable from the Agence métropolitaine de transport	24,820	21,732
Contribution receivable from the Réseau de transport de Longueuil (from the Société de transport de la Rive-Sud de Montréal in 2001)	901	1,844
Other receivables (note 13)	29,295	37,460
Financing receivable	—	660
Inventories of supplies and replacement parts	13,249	13,111
Current portion of long-term debts (note 16)	13,012	17,085
	<u>124,286</u>	<u>130,172</u>
<b>Capital assets (note 14)</b>	<b>951,492</b>	<b>895,955</b>
<b>Deferred charges (note 15)</b>	<b>5,995</b>	<b>10,194</b>
<b>Restricted investments in the sinking fund (note 11)</b>	<b>94,414</b>	<b>83,762</b>
<b>Long-term debts (note 16)</b>	<b>202,000</b>	<b>204,393</b>
	<u>1,378,187</u>	<u>1,324,476</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Short-term liabilities</b>		
Short-term loans	48,557	51,320
Accounts payable and accrued liabilities (note 17)	95,367	91,461
Current portion of long-term debt (note 18)	55,574	29,959
	<u>199,498</u>	<u>172,740</u>
<b>Long-term debt (note 18)</b>	<b>479,339</b>	<b>448,443</b>
<b>Deferred subsidies (note 14)</b>	<b>227,281</b>	<b>210,730</b>
	<u>906,118</u>	<u>831,913</u>
<b>Equity</b>		
Provision for future amounts (note 19)	(24,009)	(25,955)
Accumulated surplus	12,815	15,962
Reserved funds	78,953	74,255
Net investment in long-term assets	404,310	428,301
	<u>472,069</u>	<u>492,563</u>
	<u>1,378,187</u>	<u>1,324,476</u>

# Statement of accumulated surplus

## for the year ended December 31, 2002

(in thousands of dollars)

	2002	2001
<b>Balance at beginning of year</b>	15,962	9,134
Allocation to financial activities	(15,962)	(9,134)
Surplus for year	<u>12,815</u>	<u>15,962</u>
<b>Balance at end of year <sup>(a)</sup></b>	<u><b>12,815</b></u>	<u><b>15,962</b></u>

(a) The accumulated surplus is allocated to the following year as revenue.

## Statement of reserved funds

### for the year ended December 31, 2002

(in thousands of dollars)

	2002				
	Balance at start of year	Transfer from financial activities	Transfer to financial activities	Contribution (use) for investment activities	Balance at end of year
Sinking fund	91,392	<sup>(a)</sup> 47,180	(11,250)	—	127,322
Working capital	—	2,210	—	(2,117)	93
Financing of projects in progress	(17,449)	—	—	(31,325)	(48,774)
Balances on hand from closed loan by-laws	312	—	—	—	312
	<u>74,255</u>	<u>49,390</u>	<u>(11,250)</u>	<u>(33,442)</u>	<u>78,953</u>

	2001				
	Balance at start of year	Transfer from financial activities	Transfer to financial activities	Contribution (use) for investment activities	Balance at end of year
Sinking fund	82,423	<sup>(a)</sup> 46,535	(37,566)	—	91,392
Working capital	—	1,400	—	(1,400)	—
Financing of projects in progress	(34,664)	—	—	17,215	(17,449)
Balances on hand from closed loan by-laws	231	—	—	<sup>(b)</sup> 81	312
	<u>47,990</u>	<u>47,935</u>	<u>(37,566)</u>	<u>15,896</u>	<u>74,255</u>

	2002	2001
(a) Contribution to sinking fund	41,408	40,907
Revenue from sinking fund investments	5,772	5,628
	<u>47,180</u>	<u>46,535</u>
(b) Balances on hand following closing of loan by-laws	—	632
Use of balances on hand for financing	—	(551)
	<u>—</u>	<u>81</u>



# Statement of net investment in long-term assets

## for the year ended December 31, 2002

(in thousands of dollars)

	2002	2001
<b>Balance at beginning of year</b>	<b>428,301</b>	<b>445,796</b>
<b>Plus</b>		
Acquisition of capital assets	123,967	50,204
Long-term debt issuance	34,498	32,142
Long-term debt repayment	29,959	57,828
Amortization of deferred subsidies	17,947	44,858
	<b>206,371</b>	<b>185,032</b>
<b>Less</b>		
Disposal of capital assets	—	8,172
Capital asset depreciation	68,430	58,247
Long-term debt reduction	40,964	43,306
Long-term debt issuance		
investment activities	86,470	60,000
financial activities	660	—
Debt being refinanced	(660)	660
Deferred subsidies	34,498	32,142
	<b>230,362</b>	<b>202,527</b>
<b>Balance at end of year</b>	<b>404,310</b>	<b>428,301</b>

## Statement of changes in financial position

### for the year ended December 31, 2002

(in thousands of dollars)

	2002	2001
<b>Operating activities</b>		
Surplus	12,815	15,962
Transactions not affecting cash		
Appropriation of prior year surplus	(15,962)	(9,134)
Transfer to working capital	2,210	1,400
	(937)	8,228
Transactions not affecting operations		
Transfer to the statement of investment activities	2,293	2,505
Repayment of long-term debt	18,709	20,262
Contribution to sinking fund	41,408	40,907
	61,473	71,902
Net change in non cash components		
Subsidies and contributions receivable	4,768	(11,299)
Other receivables	8,165	4,596
Financing receivable	660	(660)
Inventories of supplies and replacement parts	(138)	1,498
Accounts payable and accrued liabilities	3,906	4,372
Provisions for future amounts	1,946	2,304
Cash flow from operating activities	<b>80,780</b>	<b>72,713</b>
<b>Investment activities</b>		
Acquisition of capital assets	(123,967)	(50,204)
Deferred charges	4,199	(6,908)
Acquisition of restricted investments	(10,652)	(30,932)
Cash flow used for investment activities	<b>(130,420)</b>	<b>(88,044)</b>
<b>Financing activities</b>		
Long-term debt issuance	86,470	60,000
Long-term debt repayment	(29,959)	(57,828)
Capital asset expenditures financed by a third party	1,762	3,595
Revenue from sinking fund investments	5,772	5,628
Cash flow from financing activities	<b>64,045</b>	<b>11,395</b>
<b>Increase (Decrease) in cash flow</b>	<b>14,405</b>	<b>(3,936)</b>
<b>Cash position, beginning of year</b>	<b>(26,538)</b>	<b>(22,602)</b>
<b>Cash position, end of year</b>	<b>(12,133)</b>	<b>(26,538)</b>

Cash consists of cash on hand, deposit certificates, restricted investments and short-term loans.

# Notes to financial statements

at December 31, 2002

## 1. GOVERNING STATUTES, NATURE OF OPERATIONS AND CHANGE IN ACTS OF INCORPORATION

Following the government of Quebec's adoption in June 2001 of Bill 24 covering public transit authorities, the Société de transport de la Communauté urbaine de Montréal (STCUM) became, on January 1, 2002, the Société de transport de Montréal. In accordance with this bill, the Société de transport de Montréal assumed the rights and obligations of the STCUM, and the goods and assets of the STCUM became, without further formality, the goods and assets of the Société de transport de Montréal.

The Société de transport de Montréal (hereinafter the Société), is incorporated under the Loi sur les sociétés de transport en commun (LQ 2001 chapter 23) and is responsible for organizing and providing public transportation services, principally on the territory of the island of Montreal.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Accounting principles

The financial statements are prepared in accordance with generally accepted principles in municipal accounting in Quebec as outlined in the Manuel de présentation de l'information financière municipale au Québec published by the Department of Municipal Affairs.

### Combined financial statements

The Société's financial statements are produced on a combined basis so as to represent all activities and transactions irrespective of its accounting structure.

### Accounting projections

In order to prepare its financial statements in accordance with the generally accepted accounting principles in Canada, the management of the Société must make projections and pose hypotheses that have an effect on the amounts presented in the financial statements and their accompanying notes. These projections are based on management's knowledge of the events in progress and on the measures that the Société might take in the future. The actual results could differ from these projections.

### Revenue and expenditures

The Société uses the accrual method of accounting under which revenue and expenditures are accounted for in the year in which the transactions or events occur. Expenditures related to the employees' pension plans, however, are recorded on a cash basis.

### Inventories of supplies and replacement parts

Inventories of supplies and replacement parts are valued at the lesser of average cost and replacement cost.

### Reserved funds

#### Sinking fund

This fund is used to accumulate amounts for the repayment of certain long-term debts.

#### Working capital

The working capital, with a set limit of \$ 7,000,000, is used for the acquisition of capital assets. The amounts used must be repaid over a maximum period of 5 years.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Capital assets

Capital assets are recorded at cost and are depreciated over their useful life using the straight-line method over the following periods:

Land	40 years
Buildings	40 years
Initial system and métro extensions	40 and 100 years
Improvements to métro infrastructure	25, 40 and 100 years
Local infrastructure	20 and 40 years
Regional infrastructure	20 and 40 years
Rolling stock - buses	16 years
Rolling stock - minibuses	5 years
Rolling stock - other	5 and 10 years
Leasehold improvements	Duration of lease
Office equipment and software	5 and 10 years
Machinery, tools and equipment	15 years

The depreciation expense is not recorded in the statement of financial activities. This expense is charged to the statement of net investment in long-term assets.

Deferred subsidies are amortized on the same basis as their related capital assets. The capital assets are depreciated as soon as they are put into service, irrespective of the loan by-law's termination date.

### Charging of the provision for future amounts to financial activities

The provision for a future amount for sick leaves and vacation days accrued prior to January 1, 2000, is charged to the statement of financial activities according to the higher of the straight-line depreciation of the balance over a period of 20 years, or the annual disbursements.

### Statement of cost for municipal services

No statement of cost for municipal services was prepared, as it would provide no additional information for the reader.

## 3. PASSENGER REVENUE

(in thousands of dollars)

	Budget	2002	2001
Bus and métro service	288,008	298,658	295,319
Paratransit service	1,000	1,251	1,138
Regional revenue <sup>(a)</sup>	23,919	21,962	21,808
	<u>312,927</u>	<u>321,871</u>	<u>318,265</u>

(a) Regional revenue attributable to the Société is derived from the sharing of the revenue from bus and metro tickets sold.

## 4. GOVERNMENT OF QUEBEC SUBSIDIES

(in thousands of dollars)

	Budget	2002	2001
Capital assets <sup>(a)</sup>	47,180	43,868	43,200
Paratransit service <sup>(b)</sup>	21,386	21,310	19,749
Other	2,000	210	989
	<u>70,566</u>	<u>65,388</u>	<u>63,938</u>

### (a) Public transit assistance programme:

Pursuant to the Quebec government's public transit assistance programme and special agreements, the Société is eligible for subsidies at rates ranging from 50% to 75% for admissible expenses (purchase of buses, construction of buildings, renovation of métro stations, renovation of métro cars and other specific expenses) incurred during the year 2002.

These subsidies are paid in the form of a contribution to debt servicing costs or a cash payment, according to the terms of the assistance programme and special agreements.

### (b) Paratransit:

In accordance with the powers granted to the Transport Minister by order in council 2071-79, the Société is eligible for a subsidy equal to 75% of the costs incurred for the Paratransit service that have been deemed eligible and pre-approved by the Transport Minister.

## 5. CONTRIBUTIONS FROM THE AGENCE MÉTROPOLITAINE DE TRANSPORT

(in thousands of dollars)

	Budget	2002	2001
For trips on the métro system <sup>(a)</sup>	42,100	42,085	39,047
For trips on city bus lines <sup>(a)</sup>	6,487	6,199	5,841
For equipment and infrastructure <sup>(b)</sup>	1,800	1,562	1,765
	<u>50,387</u>	<u>49,846</u>	<u>46,653</u>
Debt financing - commuter trains <sup>(c)</sup>	14,281	14,324	15,063
	<u>64,668</u>	<u>64,170</u>	<u>61,716</u>

### (a) Buses and métro

The Société receives a financial contribution from the Agence for trips taken by métro and bus on the city transportation system.

### (b) Regional equipment and infrastructure:

The Agence must acquire from the Société the equipment and infrastructure necessary for the city bus transportation system. At December 31, 2002, the contract stipulating the date and terms for the transfer of these assets had not been signed. Despite the eventual transfer of this property, the Société remains responsible for the debt servicing related to its financing. However, the Agence reimburses the Société for the operating and debt servicing costs, net of any government subsidy.

### (c) Commuter trains:

Since January 1, 1996, the Agence has assumed the debts and obligations of the Société with regard to the commuter train system.

The rolling stock and all other assets related to the operation of the commuter train system are the property of the Agence. However, the Société retains the long-term debt associated with this property. The Agence reimburses the Société for the principal and interest, and in the event of default, is guaranteed repayment of the debt servicing related to the commuter trains.



## 6. CONTRIBUTION FROM THE RÉSEAU DE TRANSPORT DE LONGUEUIL

On March 27, 2002, the government of Quebec adopted decree 404-2002 covering the establishment of conditions of operation for the métro line linking the territories of the Société de transport de Montréal and the Réseau de transport de Longueuil. The contribution from the Réseau de transport de Longueuil was set at \$1,802,598 per year for the years 2001, 2002 and 2003. The contribution for 2002 includes an adjustment of \$41,000 relating to 2001.

## 7. OTHER REVENUE

(in thousands of dollars)

	Budget	2002	2001
Advertising	9,752	8,482	8,531
Rentals	3,181	3,147	3,148
Incidental activities <sup>(a)</sup>	—	150	531
Other	2,611	3,060	4,633
	<u>15,544</u>	<u>14,839</u>	<u>16,843</u>

(in thousands of dollars)

	Budget	2002	2001
(a) Incidental activities			
Métro extension			
Revenue	—	3,914	3,992
Expenditures	—	(3,909)	(3,481)
	<u>—</u>	<u>5</u>	<u>511</u>
Other projects			
Revenue	—	1,108	928
Expenditures	—	(963)	(908)
	<u>—</u>	<u>145</u>	<u>20</u>
Surplus of revenues over expenditures	<u>—</u>	<u>150</u>	<u>531</u>

## 8. INTEREST AND FINANCING COSTS

(in thousands of dollars)

	Budget	2002	2001
Interest on long-term debt	36,263	32,761	32,367
Financing costs			
short-term	4,810	960	4,303
allocated to loan by-laws	(3,310)	(426)	(2,856)
	<u>1,500</u>	<u>534</u>	<u>1,447</u>
	<u>37,763</u>	<u>33,295</u>	<u>33,814</u>

## 9. REPAYMENT OF LONG-TERM DEBT

(in thousands of dollars)

	Budget	2002	2001
Repayment of principal			
from financial activities	18,709	18,709	20,262
from sinking fund	11,250	11,250	37,566
	<u>29,959</u>	<u>29,959</u>	<u>57,828</u>

## 10. TRANSFER TO THE STATEMENT OF INVESTMENT ACTIVITIES

(in thousands of dollars)

	Budget	2002	2001
Capital asset expenditures financed by a third party			
Replacement of an operating system	4,150	1,578	—
Subsidy relating to the implementation of low-floor buses	—	—	480
Proceeds from the disposal of a building	—	—	800
Proceeds from the disposal of buses	—	94	111
Contribution from the Agence métropolitaine de transport relating to renovations of métro stations	—	90	—
Transfer of métro assets in accordance with legal requirements	—	—	2,204
	<u>4,150</u>	<u>1,762</u>	<u>3,595</u>
Capital asset expenditures financed from revenue			
Bus and métro service	1,700	677	2,212
Paratransit service	1,767	1,218	131
Assets maintenance	350	398	162
	<u>3,817</u>	<u>2,293</u>	<u>2,505</u>
	<u><u>7,967</u></u>	<u><u>4,055</u></u>	<u><u>6,100</u></u>

## 11. RESTRICTED INVESTMENTS IN SINKING FUND

(in thousands of dollars)

	2002	2001
Restricted cash	2,383	1,160
Debentures and bond coupons, at unamortized cost (market value \$ 127,872, \$ 93,360 in 2001)	123,347	89,183
Interest receivable	1,592	1,049
	<u>127,322</u>	<u>91,392</u>
Short-term portion	(32,908)	(7,630)
	<u><u>94,414</u></u>	<u><u>83,762</u></u>

## 12. GOVERNMENT OF QUEBEC SUBSIDIES RECEIVABLE

(in thousands of dollars)

	2002	2001
Capital assets	2,596	4,244
Paratransit service	85	6,419
Other	3,904	2,835
	<u><u>6,585</u></u>	<u><u>13,498</u></u>

## 13. OTHER RECEIVABLES

(in thousands of dollars)

	2002	2001
Regional revenue receivable	10,086	7,243
Occupational accident payments to recover	760	695
Tax claims submitted to governments	922	1,274
General accounts receivable	6,975	10,679
Deposit on purchase of buses	5,876	13,147
Other	4,676	4,422
	<u><u>29,295</u></u>	<u><u>37,460</u></u>

## 14. CAPITAL ASSETS

(in thousands of dollars)

	2002			2001
	Cost	Depreciation	Net Book Value	Net Book Value
Land	7,352	5,869	1,483	1,564
Buildings	143,659	59,929	83,730	86,658
Initial system and métro extensions	1,436,584	1,164,617	271,967	288,857
Improvements to métro infrastructure	191,339	38,076	153,263	152,878
Local infrastructure	11,702	2,005	9,697	10,028
Regional infrastructure	11,499	5,523	5,976	6,572
Rolling stock - buses	523,250	246,030	277,220	259,551
Rolling stock - minibuses	8,362	5,952	2,410	2,033
Rolling stock - other	28,385	17,243	11,142	11,574
Leasehold improvements	7,170	4,515	2,655	3,138
Office equipment and software	58,559	29,097	29,462	29,748
Machinery, tools and equipment	57,999	24,563	33,436	38,591
Capital assets in progress	69,051	—	69,051	4,763
	<u>2,554,911</u>	<u>1,603,419</u>	<u>951,492</u>	<u>895,955</u>

	2002			2001
	Opening balance	Change	Closing balance	Closing balance
Deferred subsidies	<u>210,730</u>	<u>16,551</u>	<u>227,281</u>	<u>210,730</u>

## 15. DEFERRED CHARGES

(in thousands of dollars)

	2002	2001
Renovation programme for fixed equipment in the métro	—	10,194
Computer software licences	5,995	—
	<u>5,995</u>	<u>10,194</u>

The expenditures related to the renovation of fixed equipment in the métro have been transferred to capital assets in progress following the approval in 2002 of loan by-law (CA-116) by the Department of Municipal Affairs.

Computer software licences will be charged to financial activities as and when they are allocated to users, over a maximum period of 5 years from 2003 to 2007.

## 16. LONG-TERM DEBT

(in thousands of dollars)

	2002	2001
Amount to be recovered for repayment of long-term debt (note 18)		
Government of Quebec	189,107	184,435
Agence métropolitaine de transport	25,905	37,043
	<u>215,012</u>	<u>221,478</u>
Current portion of long-term debt	(13,012)	(17,085)
	<u>202,000</u>	<u>204,393</u>

## 17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)

	2002	2001
Trade accounts and accrued liabilities	16,440	14,124
Salaries and employee benefits	25,189	29,750
Sickness benefits payable	9,538	10,494
Vacations payable	23,617	20,759
Holdbacks on contracts and security deposits	1,430	1,551
Accrued interest	7,312	6,517
Other	11,841	8,266
	<u>95,367</u>	<u>91,461</u>

## 18. LONG-TERM DEBT

(in thousands of dollars)

	2002	2001
Debentures and bank loans, at interest rates varying from 3.70% to 9.60% (3.70% to 9.60% in 2001) maturing from February 2003 to October 2012	534,913	478,402
Current installments on long-term debt	(55,574)	(29,959)
	<u>479,339</u>	<u>448,443</u>

The long-term debt consists of debentures and bank loans that are a direct and general obligation of the city of Montreal. The city of Montreal is jointly and severally liable with the Société for payment of the principal and interest on the debentures.

The estimated installments on the long-term debt for future years are as follows:

2003	55,574
2004	130,015
2005	63,272
2006	95,611
2007	64,310
2008 and subsequent years	126,131
Total minimum payments	<u>534,913</u>

The apportionment of the long-term debt is as follows:

(in thousands of dollars)

	2002	2001
Amounts accumulated in the sinking fund	127,322	91,392
Amounts to be recovered for repayment of the long-term debt		
From the city of Montreal (municipalities on the territory of the MUC in 2001)	192,579	165,532
From the government of Quebec	189,107	184,435
From the Agence métropolitaine de transport	25,905	37,043
	<u>407,591</u>	<u>387,010</u>
	<u>534,913</u>	<u>478,402</u>

## 19. PROVISION FOR FUTURE AMOUNTS

(in thousands of dollars)

	2002	2001
Vacation benefits	15,197	15,964
Sick leaves	8,812	9,991
	<u>24,009</u>	<u>25,955</u>

The variation of \$ 1,946,000 between December 31, 2001 and December 31, 2002 has been charged to the statement of financial activities.

## 20. COMMITMENTS

### a) Long-term leases:

The Société has entered into long-term leases for office space expiring from December 31, 2003 to March 11, 2014 that call for lease payments of \$ 27,633,456. Minimum lease payments for the next five years are \$ 5,444,752 in 2003, \$ 5,503,445 in 2004, \$ 4,920,608 in 2005, \$ 4,498,314 in 2006 and \$ 4,498,314 in 2007.

One of the leases includes a renewal option for an additional five-year period that the Société can exercise by giving advance notice one year prior to the expiry date.

### b) Outsourcing of computer centre:

The Société is committed to paying a total amount of \$ 6,542,270 for the outsourcing of its computer centre, consisting of payments of \$ 1,345,033 in 2003, \$ 1,272,793 for 2004 to 2007 and \$ 106,065 in 2008.

This contract includes a renewal option for an additional period of two years under the same terms and conditions.

### c) Service contract for a communication solutions integrator:

The Société is committed to paying a total of \$ 12,720,756 for the years 2003 to 2012. The two principal components of this contract are a company-wide telephone system at a cost of \$ 10,708,613 and Internet access services at a cost of \$ 1,683,730. The remaining balance of \$ 328,413 is to be used for various operations projects.

The payments are scheduled as follows: \$ 322,179 in 2003, \$ 1,333,952 in 2004, \$ 1,403,498 in 2005 and \$ 1,380,161 for the years 2006 to 2012.

### d) Contract for supply of bus parts:

The Société, as mandatary for the principal transit companies in Quebec, awarded contracts for the supply of city bus parts within the framework of a group purchase.

These contracts are spread over periods from three to five years. The total value of these contracts for all the companies is \$ 38,209,177. The portion attributable to the Société de transport de Montréal is \$ 21,471,115, \$ 6,023,101 for the years 2002 to 2005 and \$ 1,700,906 for the years 2006 and 2007.

### e) Contract for purchase of buses:

The Société has awarded a contract for the acquisition of low-floor city buses within the framework of a group purchase for the members of the Quebec Urban Transit Association (ATUQ).

This contract will run from 2003 to 2007 and covers the purchase of 825 low-floor buses for the group of companies, for a total amount of \$ 377,008,272. The portion attributable to the Société de transport de Montréal covers 382 buses at a cost of \$ 194,828,832. According to the bus delivery schedule, the portion relating to 2003 will be \$ 90,784,116, and the amounts for 2004 to 2007 will be \$ 26,011,179.

### f) Heritage maintenance programme for fixed equipment in the métro:

The Société contracted with a firm of engineers for an approximate amount of \$ 46,754,854 for the years 2001 to 2005 to establish and operate a project office responsible for carrying out the heritage maintenance programme for the fixed equipment in the métro. At December 31, 2002, approximately \$ 27,633,584 in expenditures were still to be incurred prior to 2005.



## 20. COMMITMENTS (continued)

### g) Contract for the supply of diesel fuel

The Société negotiated an agreement with a financial institution to protect itself against market fluctuations in the price of diesel fuel until November 30, 2003. This agreement enables the Société to pay for a total quantity of 105,210,000 litres of diesel oil at a fixed price, representing an amount of approximately \$ 28,608,703. At December 31, 2002, there remained 44,050,000 litres of diesel fuel to be used prior to the end of the contract, for an approximate total of \$11,978,021.

## 21. PENSION PLANS AND PENSION OBLIGATIONS

The Société's pension plans are contributory defined benefits plans. Actuarial valuations were carried out December 31, 1999 to determine the present value of the benefits prorated to years of service. These valuations indicated a surplus in the order of \$ 375,280,000. Pension plan assets are based on the fair value, with fluctuations phased over a 3-year period. At December 31, 2002, pension plan assets and the present value of accrued pension plan benefits were not available. As an indicator, these extrapolated values increased to \$ 2,529,907,000 and \$ 2,110,559,000 respectively at December 31, 2001, and do not necessarily reflect the state of the surplus in the plans at December 31, 2002, given the economic changes that took place during the years 2000, 2001 and 2002. In 2000, 2001 and 2002, no expenditures were recorded in the statement of financial activities as the Société benefited from a premium holiday.

At December 31, 2002, the Société was committed in virtue of various pension agreements over and above the obligations ensuing from the above-mentioned pension plans. According to an actuarial valuation dated December 31, 2001, these commitments represent an amount of \$ 4,669,200 and result primarily from a retirement compensation agreement put in place for employees of the Société whose annual remuneration exceeds the ceiling for contributions to the pension plan as set by the tax authorities. The Société made a provision at December 31, 2002 for these commitments that is deemed sufficient.

## 22. CONTINGENCIES

Amounts claimed by plaintiffs total \$ 7,512,600 (\$ 6,570,000 in 2001). These claims are comprised of class action suits, individual suits, bodily injuries, material damages and various other litigation. The Société made a provision at December 31, 2002 for these claims that is deemed sufficient.

## 23. COMPARATIVE FIGURES

Certain figures from the 2001 financial statements have been reclassified in the presentation of the 2002 financial statements.

